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Calculating Growth in Florida's Business

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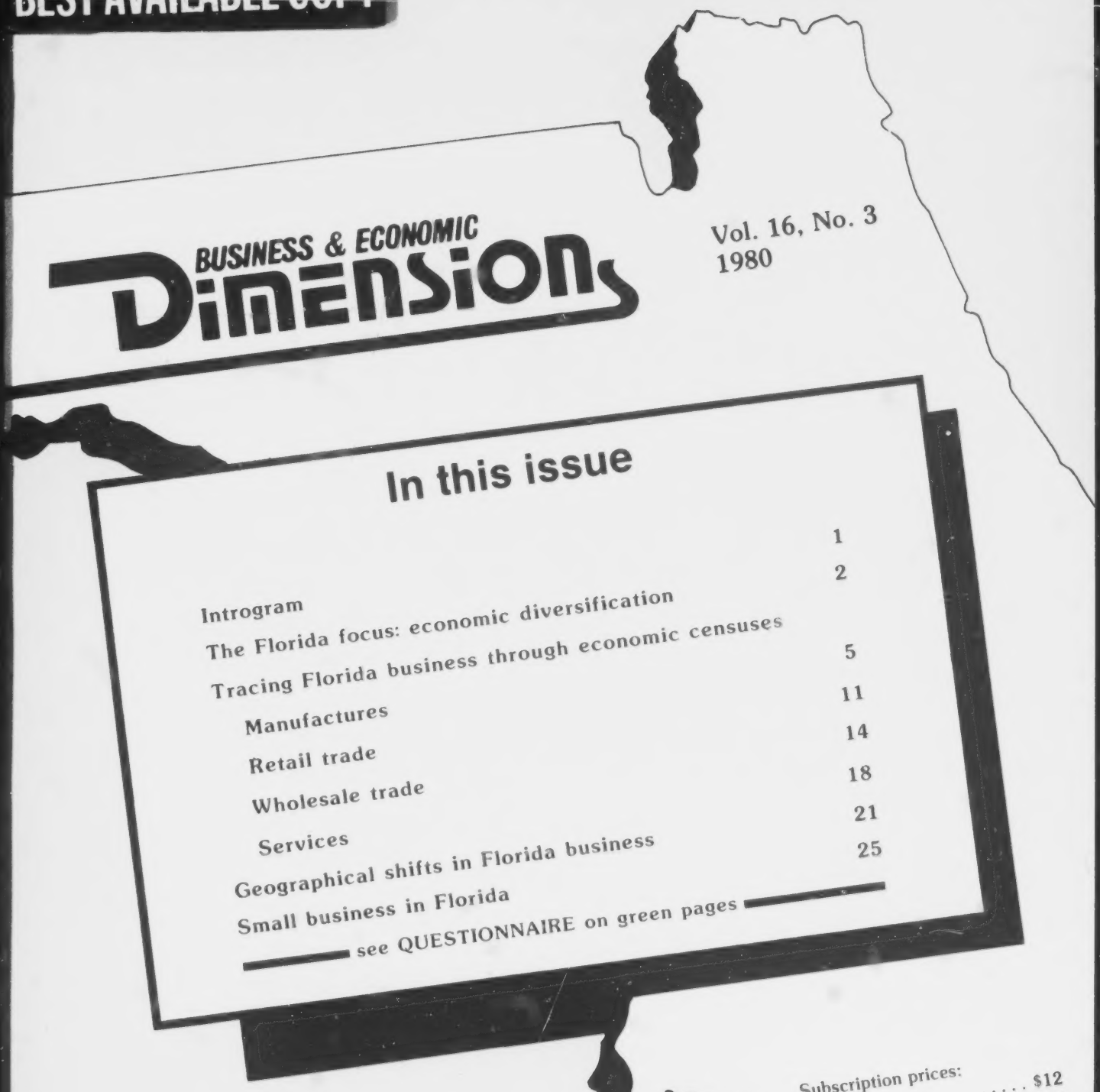

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Introgram

The proverbial schoolchild with a report card in hand plods slowly homeward hoping that he can evade the attention of a stern parent. Every five years each state in the union is given a "report card" on its economic progress in the form of the censuses of manufacturing and trade. Data from the most recent of these censuses are just now being released and throw light on the subject of how well Florida is doing. Articles in this edition of *Business and Economic Dimensions* summarize these data and serve as a report of progress. Must Florida drag its heels and hide its record in shame or can it hold forth the card proudly to indicate diligent performance?

The answer is that on the whole the record is much better than the average for the nation. Employment in manufacturing has kept growth with the increase in population, retail sales have exceeded inflation and so have sales of wholesale establishments. Particular growth has occurred in the service trades. The major trends and their significance are discussed herein by the editor, Bruce Kuhlman and Mike DeMarco.

Behind these statistics lie the efforts of hundreds of people who are charged with the task of bringing about improvements in and diversification of Florida's economy. Some of the efforts are described in the first article by Sidney Levin, Florida's Secretary of Commerce.

A question often heard these days is "what is happening to small firms?" A fear prevails that large chains and other conglomerates are swallowing up the little fellows" as a shark might gobble minnows. An article by Ann Pierce attempts to quantify the situation in Florida as far as census data can be used to measure such trends. Finally, Greg Kerber describes the efforts being made at the University of West Florida and elsewhere to provide counselling services to small business executives in the expectation that the application of more scientifically oriented management will insure not only survival but greater success.

—Ralph B. Thompson

. . . The blows dealt Florida by the 1974-75 recession and subsequent economic fluctuations opened many eyes to the state's need for a more diversified economy. . . .

THE FLORIDA FOCUS:

DIVERSIFYING THE

Sidney Levin

Secretary of Commerce
State of Florida

The State of Florida has initiated a comprehensive program to improve and diversify the state's economy, basing its efforts on a marketing plan targeted toward attracting new industry, expanding existing industry, increasing international trade and investment, and promoting agricultural and manufactured products.

The foundation of the marketing plan is the reorganization of the Department of Commerce, the state agency responsible for Florida's economic development program, into a more efficient and effective marketing unit.

Florida took a scattershot approach in the past, trying to go in all directions at once. The new approach is to focus on identified goals and concentrate on finding a strategy that will lead to success.

First, we have reorganized our employees into teams assigned to aggressively pursue specific types of industries desirable for Florida and to promote trade through stepped-up exporting activities.

Our program aims at immediate results that will form a new economic foundation for the future. Traditionally dependent on an economy based on tourism, agriculture and construction, Florida is now intent on adding a new dimension—manufacturing and trade—to provide a stabilizing influence less vulnerable to national and international economic impacts caused by such factors as inflation and energy supplies.

Progress has been rewarding and the plan to diversify the economic base should reap solid results that will translate directly into more jobs and more payrolls for Floridians.

The department's efforts are supported by Governor Bob Graham and other governmental leaders. The blows dealt Florida by the 1974-75 recession and subsequent economic fluctuations opened many eyes to the state's need for a more diversified economy. At the beginning of a new decade and under fresh governmental leadership, the state's business climate is beginning to show significant change. A positive attitude is evident in the statements and actions of government officials and in legislative acts designed to court international industry and trade, expand banking horizons and eliminate business red tape that hinders corporate newcomers.

Two years of growth

The upswing in attracting new industry began in 1978. That year, eighty new businesses and industries located in Florida from other parts of the United States, creating 12,513 new jobs and representing a total capital investment of approximately $15 million.

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ECONOMY

These statistics reflect only those firms that the department helped locate in Florida. There is no central system to record the entire number of industries coming into the state.

In 1979, 101 domestic industries and 24 international firms announced their intention to establish facilities in Florida accounting for 25,583 new jobs and a capital investment of $722.3 million.

Domestic industries, those coming to Florida from other areas of the United States, have increased 55 percent over 1978 and provided 23,483 new jobs—a 100 percent increase over the previous year.

International firms, those establishing facilities in Florida from other countries of the world, provided 2,100 new jobs for Florida residents and a capital investment of $89.5 million in 1979.

During the first six months of 1980, the department has aided thirty-four new industries in coming to Florida. These companies will provide approximately 11,735 jobs and a capital investment of $609.3 million.

The world frontier

Keeping pace with Florida's growth in manufacturing is international trade, currently one of the fastest-growing segments of our economy. Reliable forecasts indicate new frontiers will continue to be in world markets.

Last year Florida's trade zoomed 18 percent to the $13 billion mark, driven by an export-import market that is gaining momentum by the day.

Unlike the U.S. as a whole, Florida boasts a lead of exports over imports. In 1979, the state exported $7.5 billion in goods and imported $5.5 billion, mostly because of the growing number of small and medium-sized companies which have realized the profit potential in exporting.

State-local coordination

Improving communication between economic development professionals on the local level and state levels is vital if the department is to fulfill its goals of bringing in new industry and investment.

In 1979, the Division of Economic Development brought its six field offices under a new Bureau of Area Development. Previously, the field offices reported to the Bureau of Trade Development.

The new bureau's primary function is to help existing industries with expansion, help them cut government red tape, and assist communities with their industrial efforts. The bureau will also keep the administration informed on matters of concern to the business community which require legislative action.

Knocking on doors

Another program emerging at the time of reorganization was the Geographic Target Section, a three-person unit of "doorknockers" formed to search out industrial prospects for Florida in target sections around the country. Once a target company is identified, a Florida representative meets with company officers to inform them of the advantages of doing business in Florida. If a company becomes a definite prospect, the

. . . International firms provided 2,100 new jobs for Florida residents and a capital investment of $89.5 million in 1979. . . .

project is turned over to other development representatives in the Bureau of Industry.

Private-sector help

A new support program, the Target Industry Task Forces comprised of business persons from the private sector, was organized in 1979 to help the Florida Department of Commerce Division of Economic Development attract additional firms in the five target industries determined to be particularly suited to Florida: aviation, communications equipment, medical instrumentation, pharmaceutical manufacturing, and defense contracting.

Another program, established in conjunction with the Department of Education, is the Industrial Services Training Program which recruits potential employees for an industry, trains them to meet the industry's needs, and presents them to the new company for evaluation and possible employment. This service is provided at the request of the industry.

Foreign offices

Programs of the Division of Economic Development are working not only within the state but also through offices in Europe, Canada, Japan and Latin America.

Stuttgart, Germany, is the site of the division's new European office for promoting Florida trade and investment. It is manned by a Florida development representative and a bilingual staff. A majority of Florida's activities in Europe are with German industrialists and Stuttgart is located in the heart of Germany's high-technology industries.

The division retains a consulting firm in Tokyo to promote Florida's business interests in Japan.

In the planning stage is a Canadian economic development office in Toronto which will be staffed by visiting development representatives from Tallahassee.

The Office for Latin American Trade in Coral Gables provides a contact point for Latin American business, advises and assists exporters, develops reverse investment prospects and provides business-related information and referral services.

To aid business people in Florida and abroad in locating industry and exporting opportunities, the department sponsors trade missions, investment seminars, export seminars and an industrial development workshop.

About twelve export seminars are held each year to provide Florida business leaders with an overview of the requirements for international trade.

The first Florida Industrial Development Workshop focused on increasing the professionalism of industrial developers throughout the state by increasing their knowledge of Florida-specific, industry-related information. Designed to complement the Basic Economic Development Course, this workshop is expected to become an annual event.

To boost Florida's burgeoning film industry, the Department of Commerce Motion Picture and Television Office assists filmmakers by coordinating with the production company and various state agencies whose cooperation is needed during filming. This office cuts red tape, aids in location scouting, obtains permission to film on state- and local-owned properties and is available before, during and after filming to insure a smooth and efficient production.

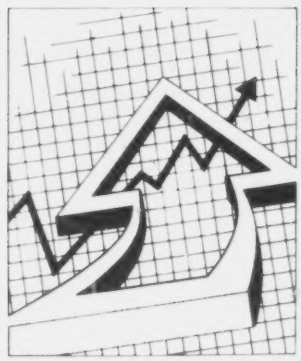
The state currently ranks as one of the top three filmmaking states behind California and New York. In 1979, the total budget of productions and commercials filmed in Florida was $82.9 million, a 38.8 percent increase over 1978. Of this total, $42.9 million was in television and feature film production.

Approximately 40 percent of a production's budget is left in the local economy. In the first seven months of 1980, Florida has surpassed the totals for any previous year in the television and feature film business, with $7 million more in the works.

Florida's opportunities for economic development growth are vast. Each program of the division has been created to meet a specific need and at the same time enrich Florida's economy.

. . . The programs of the Division of Economic Development are not only working within the State of Florida, but also through offices in Europe, Canada, Japan and Latin America. . . .

MANUFACTURING: TWO DECADES OF INDUSTRIAL GROWTH



Ralph B. Thompson

Editor
Dimensions

The data in this article for 1977 are preliminary. Details in the tables do not necessarily add to totals but differences between them and final adjusted data, which were not available at press time, are deemed to be insignificant.

An appraisal of Florida's progress in its drive to industrialize is made more feasible by the publication of the 1977 *Census of Manufactures*. Several measures of change over the nineteen-year intercensal period from 1958 to 1977 give a clear picture of the long-run trends (see Table 1).

There were almost twice as many manufacturing establishments in 1977 as in 1958. The index of change stood at 195 for all firms and 191 for those with twenty employees or more. The 2,909 establishments in the latter group constituted 24 percent of all manufacturers in 1977. The same relationship existed in 1958.

There were 357,600 employees in these 2,909 places of business in 1977—again twice the number in 1958. Payroll was $4 billion, six times more money than the 171,300 employees received nineteen years earlier. Of course, inflation played an important role. In 1967 dollars, payroll tripled during the two decades. Value added by manufacture also increased three times in deflated dollars and six times in current money.

At the time of writing, totals for the United States had not been released.

However, from 1958 through 1976, manufacturing employment in Florida increased 93 percent, while for the nation as a whole the increase was 17 percent. Surely the efforts of many Floridians to lure industry to the state and to encourage its development by local people are paying off.

Manufacturing employment in Florida increased from 1.07 percent of that in the United States in 1958 to 1.82 percent in 1973, then went down to 1.77 percent in 1976. Such a record does not place Florida among the leaders of American manufacturing states. Eighteen states had a greater number of manufacturing employees in 1976 than Florida. In fact, the leading six states each had over one million factory employees and together comprised 42 percent of the

Table 1.—Longrun trends in manufacturing establishments, employment, payroll and value added, 1958 to 1977

	Establishments									
	Total		With 20 or more employees		Employees		Payroll		Value added by manufacture	
Census of	Number	Index of change (1958=100)	Number	Index of change (1958=100)	Number (000s)	Index of change (1958=100)	Millions of dollars	Index of change (1958=100)	Millions of dollars	Index of change (1958=100)
1958	6,349	100.0	1,526	100.0	171.3	100.0	680.5	100.0	1,410.8	100.0
1963	7,377	116.2	1,826	119.7	215.4	125.7	1,102.3	162.0	2,352.0	166.7
1967	7,950	125.2	2,186	143.3	285.1	166.4	1,754.7	257.9	3,682.7	261.0
1972	10,276	161.9	2,895	189.7	342.9	200.2	2,750.3	404.2	5,786.8	410.2
1977 (P)	12,366	194.8	2,909	190.6	357.6	208.8	4,128.5	606.7	9,332.1	661.5

Sources: U.S. Department of Commerce, 1972 Census of Manufactures, Table 2, p. 10-4; 1977 Census of Manufactures, Preliminary Report, Table 1, p. 2.

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Table 2. —Longrun trends in manufacturing value added, value of shipments and capital expenditures, 1958 to 1977

	Value added by manufacture				Capital expenditures			Value of shipments	
	Millions of current dollars	Purchasing power of dollar (producers' prices)	Millions of 1967 dollars	Index (1958=100)	Millions of current dollars	Millions of 1967 dollars	Index (1958=100)	Millions of current dollars	Millions of 1967 dollars
1958 Census	1,410.8	1.057	1,491.2	100	152.3	161.0	100	NA	NA
1959 ASM*	1,677.3	1.055	1,769.6	119	156.3	164.9	102	NA	NA
1960 ASM*	1,794.6	1.054	1,891.5	127	153.3	161.6	100	NA	NA
1961 ASM*	1,884.2	1.058	1,993.5	134	225.4	238.5	148	NA	NA
1962 ASM*	2,092.4	1.055	2,207.5	148	191.6	202.1	126	NA	NA
1963 Census	2,352.0	1.058	2,488.4	167	190.6	201.7	125	NA	NA
1964 ASM*	2,486.7	1.056	2,626.0	176	166.8	176.1	109	5,301.1	5,598.0
1965 ASM*	2,688.5	1.035	2,782.6	187	297.7	308.1	191	5,607.1	5,803.3
1966 ASM*	2,938.4	1.002	2,944.3	197	306.8	307.4	191	6,154.7	6,167.0
1967 Census	3,682.7	1.000	3,682.7	247	300.7	300.7	187	7,322.9	7,322.9
1968 ASM*	4,046.4	0.976	3,949.3	265	283.1	276.3	172	8,153.7	7,958.0
1969 ASM*	4,398.5	0.939	4,130.2	277	312.9	293.8	182	8,927.9	8,383.3
1970 ASM*	4,560.1	0.906	4,131.5	277	377.8	342.3	213	9,522.8	8,627.7
1971 ASM*	4,821.8	0.877	4,228.7	284	417.0	365.7	227	10,004.7	8,774.1
1972 Census	5,786.8	0.840	4,860.9	326	463.0	389.3	242	11,957.7	10,044.5
1973 ASM*	6,496.9	0.742	4,820.7	323	519.9	385.8	240	13,725.6	10,184.4
1974 ASM*	7,425.2	0.625	4,640.8	311	736.0	460.0	286	15,758.4	9,849.0
1975 ASM*	7,437.2	0.572	4,254.1	285	819.2	468.6	291	16,335.8	9,344.1
1976 ASM*	8,280.0	0.546	4,520.9	303	867.0	473.4	294	18,091.3	9,877.8
1977 Census (P)	9,332.1	0.515	4,806.0	322	752.0	387.3	241	21,928.3	11,293.1

*Annual Survey of Manufactures.

Sources: U.S. Department of Commerce, 1972 Census of Manufactures, Table 2, p. 10-4; 1977 Census of Manufactures, Table 1, p. 2; Statistical Abstract of the United States, 1979, p. 474.

total, according to the 1976 *Annual Survey of Manufactures*.

Neither has employment in manufacture in Florida gained relative to other industries, since the civilian labor force has kept pace with such employment. In the late 1960s and early 1970s the percentage of Florida's labor force engaged in manufacturing rose toward, and in one year exceeded, 12 percent. In 1977, however, the ratio was down to 10.2 percent as contrasted with 9.6 percent in 1958.

Essentially then, Florida has been able to increase jobs in manufacturing at about the same pace as the growth in the total labor force but not move beyond this basic 10-to-12-percent level.

Value added and capital expenditure

In trying to measure the productive impact of manufacturing upon a community, there is a problem of double counting. The output of one factory may become the raw materials of another. The net income of the state or county is not increased by the sum of the values of both enterprises since part of the sales of the second firm went to the first as payment for semifinished goods and did not flow into the economy as spendable wages or proprietors' income. So the term "value added by manufacture" is used for judging the relative economic importance of an enterprise or an industry. It is defined as the value of shipments less the cost of materials, supplies, container, fuel, electricity and contract work.

In Table 2 changes in the total value added by manufacture in Florida are shown for each year 1958 through 1977. The data for intercensal years are estimates derived for the Annual Survey of Manufactures. These figures are shown in the table in three forms: current dollars, constant 1967 dollars, and as an index with data for 1958 equal to 100. The index is portrayed in Figure 1, where it can be readily noted that value added increased at an almost steady rate from 1958 to 1972 when it slacked off for three years before resuming its upward climb. The rate of growth during the entire period is 222 percent in constant dollars compared with a change in population of 96 percent.

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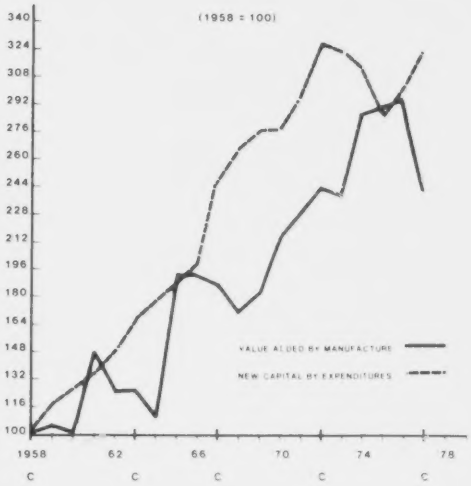
Figure 1.—Index numbers for value added and capital expenditures, 1958 to 1977



Personal income increased 198 percent from 1958 to 1977, so value added has more than kept pace with it.

The other variable traced in Figure 1 is new capital expenditure, which included "permanent additions and major alterations to manufacturing establishments and new machinery and equipment." Generally speaking, this item has grown at a rate similar to that for value added, exceeding it in only three years. This would seem to indicate that decisions to add capital follow expansion in the volume of business rather than preceding it, as one might expect. The amount of new manufacturing industry started from scratch by Floridians or brought into the state by outsiders before any production begins is not as significant as the expansion of existing facilities.

Analysis by industry

A community—state, county or city—seeks new industry to provide employment and payroll to its residents. This income is spent to a large extent in the same place where it is earned for food, clothing, housing and other goods and services needed by wage earners and their families, thus creating profit-making opportunities for local business people and professionals. Proprietors' income is important to those who establish a firm but it is often diffused and may not remain in the same locality as the establishment which produced it.

Each establishment is classified by the U.S. Office of Management and Budget according to the Standard Industrial Classification System (SIC). It is assigned a four-digit code number on the basis of the good or service it produces. The four-digit industries are grouped into less specialized categories indicated by three-digit codes. These are finally brought together into major two-digit industries. There are twenty manufacturing industries indicated by SIC codes 20 through 39.

Data in Table 3 relate to employment and payroll of these twenty industries in Florida and show the relative standing of each and changes in employment over time. The sector with the most employees in Florida in 1977 was the food industry, SIC 20, with almost 13 percent of the state total. Its percentage of total payrolls was just under 12. Other industries with 10 percent or more of total employment were makers of electric and electronic equipment and transportation manufacturers.

The relative importance of the different industries in terms of total employment did not change markedly from 1967 to 1972 and 1977, but some are changing more than others. In making comparisons from one census to another, it should be remembered that the data for each industry for each census year represent a "snapshot" at a point in time. Considerable variation during the intercensal years could occur. Tables for each industry similar to those for the state as a whole (Table 2) would be necessary to reveal these fluctuations. Nevertheless, some significant trends can be determined from the data in Table

Table 4 makes a comparison showing value added by manufacture and capital expenditure in each of the last three census years.

Location factors

Economists go a step farther than that taken by the planners of SIC groups. They seek to classify industries by the reason for their location in a particular area. There are a number of such reasons: access to markets, availability of raw materials, availability of

Table 3.—Shifts among manufacturing industries over time in employment and payroll

SIC code	Industry	Employment 1967 Number (000s)	Employment 1967 Percentage of state total	Employment 1972 Number (000s)	Employment 1972 Percentage of state total	Employment 1977 (P) Number (000s)	Employment 1977 (P) Percentage of state total	Percent change 1972-77	Payroll 1977 (P) Total (Millions of dollars)	Payroll 1977 (P) Percentage of state total
	All industries	285.1	100.00	343.1	100.00	357.6	100.00	4.23	4,128.5	100.00
20	Food and kindred pdts.	44.3	15.54	44.3	12.91	45.6	12.75	2.93	490.9	11.89
203	Preserved fruits & veg.	NA	NA	12.2	3.56	13.1	3.66	7.38	125.1	3.03
205	Bakery products	5.9	2.07	6.2	1.81	6.7	1.87	8.06	81.8	1.98
208	Beverages	5.7	2.00	5.7	1.66	6.1	1.71	7.02	83.5	2.02
209	Miscellaneous foods	NA	NA	6.6	1.92	6.6	1.85	0.00	56.7	1.37
21	Tobacco products	5.6	1.97	4.4	1.28	2.7	0.76	-38.64	19.3	0.47
22	Textile mill products	2.0	0.70	3.7	1.08	4.8	1.34	29.73	37.3	0.90
225	Knitting mills	1.4	0.49	3.0	0.87	3.8	1.06		29.4	0.71
23	Apparel	16.6	5.82	28.4	8.28	32.0	8.95	12.68	211.4	5.12
232	Men's & boy's	2.4	0.84	3.3	0.96	5.0	1.40	51.52	31.9	0.77
233	Women's & misses' outer.	7.4	2.60	15.5	4.52	17.7	4.95	14.19	115.2	2.79
236	Children's outerwear	1.5	0.53	3.1	0.90	1.7	0.48	-45.16	11.4	0.28
24	Lumber and wood pdts.	NA	NA	20.2	5.89	16.4	4.59	-18.81	151.8	3.68
243	Mill., ply., struc. mbrs.	NA	NA	7.5	2.19	6.3	1.76	-16.00	56.4	1.37
245	Wood bldgs. & mobile homes	NA	NA	4.8	1.40	3.5	0.98	-27.08	39.0	0.94
25	Furniture and fixtures	7.4	2.60	10.2	2.97	9.3	2.60	-8.82	82.9	2.01
251	Household furniture	NA	NA	6.7	1.95	5.8	1.62	-13.43	48.9	1.18
26	Paper and allied products	16.3	5.72	15.8	4.61	15.4	4.31	-2.53	229.1	5.55
264	Misc. conv. paper pdts.	4.5	1.58	4.2	1.22	3.7	1.03	-11.90	46.1	1.12
265	Paperboard conts. & boxes	4.4	1.54	4.4	1.28	3.9	1.09	-11.36	47.8	1.16
27	Printing and publishing	20.3	7.12	26.6	7.75	29.8	8.33	12.03	340.1	8.24
2711	Newspapers	12.5	4.38	14.0	4.08	15.8	4.42	12.86	179.4	4.35
275	Commerical printing	NA	NA	8.2	2.39	8.3	2.32	1.22	95.4	2.31
28	Chemicals and allied	20.7	7.26	19.2	5.60	22.2	6.21	15.62	310.6	7.52
282	Plastics & synthetics	NA	NA	5.8	1.69	5.6	1.57	-3.45	83.9	2.03
287	Agricultural chemicals	NA	NA	6.6	1.92	8.3	2.32	25.76	118.8	2.88
29	Petroleum and coal	0.8	0.28	0.8	0.23	0.8	0.22	0.00	9.7	0.23
30	Rubber & misc. plastics	NA	NA	9.0	2.62	10.7	2.99	18.89	95.9	2.32
3079	Misc. plastics products	NA	NA	6.4	1.87	NA	NA	NA	NA	NA
31	Leather and leather pdts.	2.6	0.91	3.5	1.02	2.9	1.09	11.43	27.2	0.66
32	Stone, clay and glass	12.5	4.38	18.5	5.39	14.7	4.11	-20.54	177.1	4.29
327	Concrete, gypsum, plaster	8.2	2.88	12.9	3.76	NA	NA	NA	NA	NA
33	Primary metals	3.0	1.05	4.0	1.17	4.8	1.34	20.00	55.3	1.34
34	Fabricated metal products	NA	NA	25.7	7.49	24.4	6.82	-5.06	281.5	6.82
344	Fabricated struc. metal	12.4	4.35	15.8	4.61	13.2	3.69	-16.46	147.6	
35	Machinery, exc. electric	12.5	4.38	17.0	4.95	20.1	5.62	18.24	285.5	6.92
357	Office & cptg. mach.	A/	NA	4.9	1.43	5.8	1.62	18.37	106.7	3.58
36	Electric, electronic	NA	NA	33.5	9.76	41.6	11.63	24.18	520.6	12.61
366	Communication equip.	13.4	4.70	16.6	4.84	21.9	6.12	31.93	306.1	7.41
367	Electronic equip.	6.6	2.31	9.2	2.68	9.7	2.71	5.43	100.8	2.44
37	Transportation equip.	NA	NA	40.7	11.86	36.5	10.21	-10.32	532.1	12.89
373	Ship & boat building	10.3	3.61	11.2	3.26	13.2	3.69	17.86	145.9	3.53
376	Guided missiles	NA	NA	14.5	4.23	7.8	2.18	-46.21	148.4	3.59
38	Instruments	NA	NA	5.4	1.57	8.6	2.40	59.26	89.2	2.16
39	Miscellaneous	4.0	1.40	5.9	1.72	7.0	1.96	18.64	61.1	1.48
	Cent. adm. offices	4.0	1.40	6.3	1.84	8.0	2.24	26.98	129.8	3.14

(P) Preliminary.

Sources: U.S. Department of Commerce, 1972 Census of Manufactures, Table 5, p. 10-9; 1977 Census of Manufactures (Preliminary Report), Table 3, p. 4.

low-cost energy and labor supply. Other factors may include tax concessions or other subsidies, transportation facilities and absence of zoning or other government regulation. It has been suggested that some industries are located in a particular place by accident. For example, the manufacture of tires requires a great deal of water. Akron, Ohio, is not as blessed with abundant water as are cities on the shores of lakes. Why then did major rubber manufacturers locate there? The story is that Mr. Goodyear happened to be living in Akron when he discovered the process of vulcanization.

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Market-oriented industries in Florida. The rapidly growing population of Florida comprises an ever-expanding market for consumer goods. As mentioned above, food is the largest employer among the state's manufacturing industries. Not all food processing is done for residents of the state. A great deal is sent to other states and around the world. To estimate employment in market-oriented industries, it is necessary to go beyond the two-digit categories used in Tables 3 and 4 and regroup industries in three- and four-digit groups.

SIC code	Industry	Employment Number (000s)	Employment % of state total
201	Meat products	5.2	1.5
202	Dairy products	3.8	1.1
205	Bakery products	6.7	1.9
208	Beverages	6.1	1.7
23	Apparel, other textile products	32.0	8.9
251	Household furniture	5.8	1.6
2711	Newspapers	15.8	4.4
314	Leather footwear	1.8	0.5
	Total	77.2	21.6

Allowing for the fact that some of the products of these establishments are sold outside Florida and that some of the products of other industries are used by Floridians, we can estimate that one out of four manufacturing workers is employed in a factory oriented primarily to the state market.

Raw-material-oriented industries. Other things being equal, it seems reasonable to locate an industry near the source of its raw materials. The following are industries which it can be assumed utilize the animal, mineral and vegetable products of Florida:

SIC code	Industry	Employment Number (000s)	Employment % of state total
203	Preserved fruits and vegetables	13.1	3.7
206	Sugar, confectionary products	2.6	0.7
21	Tobacco products	2.7	0.8
24	Lumber and wood products	16.4	4.6
25	Furniture and fixtures (other than household)	3.5	1.0
26	Paper and allied products	15.4	4.3
2879	Phosphatic fertilizers	6.3	1.8
	Total	60.0	16.8

Almost 17 percent of all labor is employed in using Florida raw materials to make other products. Table 3 shows that employment in each of the two-digit industries listed above declined from 1972 to 1977.

Labor-oriented industries. Since Florida has no supplies of fossil fuels to speak of, manufacturers do not locate here to take advantage of them. The third major category of industries consists of those which depend for success upon highly skilled, well-motivated workers. They make products which are complex but not heavy. Cost structures could not stand the inshipment of large quantities of heavy raw materials nor the outshipment of bulky finished goods, but firms can enjoy lower wage levels and less immigration by locating in Florida.

Examples of such industries include:

SIC code	Industry	Employment Number (000s)	Employment % of state total
357	Office and computing machines	5.8	1.6
366	Communication equipment	21.9	6.1
367	Electronic components	9.7	2.7
373	Ship and boat building	13.2	3.7
376	Guided missiles	7.8	2.2
38	Instruments	8.6	2.4
	Total	67.0	18.7

Except for guided missiles, all these industries have experienced considerable growth from 1972 to 1977.

These three groups constitute over 50 percent of all manufacturing employment. The balance of industries produce goods used by agriculture, nonmanufacturing businesses, construction and other manufacturing industries.

Returning to Table 3, it can be seen that for the half decade from 1972 to 1977 the greatest increases in employment occurred in instruments, 59.26 percent; textile mill products, 29.73 percent; electric and electronic equipment, 24.18 percent; primary metals, 20.00 percent; rubber and miscellaneous plastics, 18.89 percent.

In general, the percentage of total state employment accounted for by an industry corresponds to the percentage of payroll. Where the payroll percentage is lower, one may assume the pay scale for an industry is lower, as in food processing, tobacco, textiles, apparel, lumber and wood products and furniture and fixtures. Those industries exhibiting higher relative payrolls are chemicals,

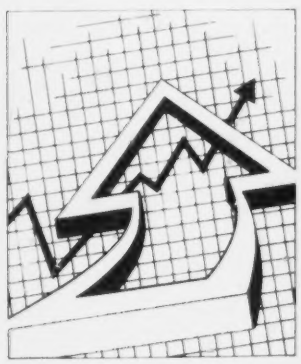

Table 4.—Value added and capital expenditures by major manufacturing industry in Florida, 1967, 1972 and 1977

SIC code	Industry	Value added by manufacture (millions of dollars) 1967	1972	1977	Percentage of state total 1977	Percent change 1972-77	Capital expenditures (millions of dollars) 1967	1972	1977	Percent change 1972-77
	All industries	3,682.7	5,787.8	9,332.1	100.00	61.2	300.7	464.0	752.0	62.1
20	Food and kindred products	627.2	968.7	1,611.3	17.26	66.3	46.7	78.8	108.6	37.8
21	Tobacco products	44.0	52.6	32.2	0.34	-38.8	0.8	3.5	0.8	-77.1
22	Textile mill products	12.5	56.7	65.5	0.70	15.5	0.8	9.3	3.7	-60.2
23	Apparel	105.4	232.4	402.5	4.31	73.2	2.3	6.7	8.9	32.8
24	Lumber and wood products	NA	264.1	309.4	3.31	17.2	12.1	19.0	33.7	77.4
25	Furniture and fixtures	62.3	121.7	169.8	1.82	39.6	2.0	6.5	7.6	16.9
26	Paper and allied products	290.9	351.7	498.6	5.34	41.8	32.9	44.2	79.8	80.5
27	Printing and publishing	224.9	466.4	791.3	8.48	69.7	23.3	31.9	56.9	78.4
28	Chemicals and allied products	466.1	516.2	897.1	9.61	73.8	62.8	59.9	143.9	140.2
29	Petroleum and coal products	8.9	26.5	28.8	0.31	8.7	0.5	4.6	2.7	-41.3
30	Rubber and miscellaneous plastics	NA	123.9	204.7	2.19	65.2	4.3	15.5	24.1	55.5
31	Leather and leather products	16.1	26.8	46.0	0.49	71.6	0.4	2.1	1.7	-19.0
32	Stone, clay and glass products	184.9	375.3	430.9	4.62	14.8	39.0	48.0	42.1	-12.3
33	Primary metal industries	43.7	74.6	115.8	1.24	55.2	2.3	5.5	9.4	70.9
34	Fabricated metal products	NA	425.4	678.7	7.27	59.5	14.3	25.3	31.5	24.5
35	Machinery, except electrical	211.1	287.6	519.0	5.56	80.5	15.6	19.2	44.1	129.7
36	Electric, electronic equipment	NA	580.9	1,144.0	12.26	96.9	19.3	31.9	83.7	62.4
37	Transportation equipment	NA	700.2	1,040.5	11.15	48.6	11.3	39.2	41.4	5.6
38	Instruments	NA	68.4	204.6	2.19	199.1	2.0	7.3	18.6	154.8
39	Miscellaneous	34.7	67.7	138.5	1.48	104.6	1.2	5.6	9.1	62.5

Note: 1977 data are preliminary.
Sources: U.S. Department of Commerce, 1972 Census of Manufactures, Table 5, p. 10-7; 1977 Census of Manufactures, Table 3, p. 4.

machinery, electric, electronic, and transportation equipment.

Value added

A higher proportion of the total value added by manufacture is produced in the food industry, as shown in Table 4. Other leading adders of value are electric and electronic products, transportation equipment, chemical and allied products, printing and publishing, and fabricated metal products.

Capital expenditures

Only two industries reported capital expenditures of more than $100 million: chemicals and allied products and food and kindred products. The greatest percentage increases in capital expenditures were in paper and allied products, printing and publishing, lumber and wood products, and primary metals.

Relationships between changes in value added and capital expenditure are not direct but, as noted above, the effect of increased capital expenditures on value added or vice versa could not be expected to occur in the same year. Negative relationships are clearer. Low-growth or declining industries generally show declines in capital expenditures. Lumber and wood products has a percentage increase in capital expenditures. On the other hand, leather and leather products, with a large increase in value added, records a decline in capital expenditures.

Geographical concentration

Manufacturing continues to remain concentrated in the larger centers of population. From 1967 to 1977, employment in the largest SMSAs increased from 76.3 percent of the state total to 78.5 percent. If all the current SMSAs are considered, the percentage of total employment was 90.1 in 1967 and 90.0 in 1977. A more complete discussion of trends in the geographic distribution of economic activity within Florida is presented in another article.

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RETAIL TRADE GROWTH LESS THAN SPECTACULAR

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Retail trade continues to command a significant position within the Florida economy. According to the 1977 *Census of Retail Trade*, employment in this sector topped 614,000, an increase of 29.3 percent over 1972 and a level representing 17.4 percent of the total civilian labor force in Florida. Comparing the Florida statistic with the U. S. figure of 13.4 percent of the civilian labor force employed in retail trade, the importance of this sector within the state becomes apparent.

Sales in Florida reached more than $31 billion in 1977 for all retail establishments. Despite increases in employment and sales over the five-year intercensal period, however, retail trade performed at less than a spectacular level.

The $31 billion gross sales in 1977 for all retail establishments represents growth in unadjusted terms of 61.7 percent over 1972 figures. When adjusted for inflation using the Retail Price Index with 1967 as the base year, this seemingly phenomenal increase shrinks to $373 million in sales or only a 2.7 percent average increase across the various subsectors of retail trade. Payroll adjusted with the Consumer Price Index grew at the dismal rate of 11.4 percent in the five-year period.

Greatest real losses

Building materials, hardware, garden supply, and mobile home dealers (SIC 52) showed a drop in inflation-adjusted sales of 16.5 percent, with the largest contributor to this decrease being mobile home dealers. Payroll displayed a similar trend, with adjusted pay dropping 3.6 percent. Contrary to the major SIC grouping, the subsector incorporating retail nurseries performed well.

The second highest loss in adjusted sales was in furniture, home furnishings, and equipment stores (SIC 57). Sales increased 44.3 percent in unadjusted terms, but adjustment for inflation results in a loss of 8.3 percent. Household appliance stores contributed heavily to the drop, while radio, television and music stores performed well.

Greatest real gains

Eating and drinking establishments (SIC 58) displayed the largest increases in both unadjusted and adjusted sales. A real increase of 18.0 percent resulted from an adjusted sales figure of more than $1.3 billion. Employment within this sector, which includes many parttime workers, increased by a substantial 53.5 percent.

Food stores ranked second among the major groupings, with adjusted sales exceeding $3 billion for an 11.1 percent growth rate. Employment increased 33.4 percent and payroll, 26.9 percent in adjusted terms.

Other major groupings performed marginally or poorly but overall remained at a constant sales level. It should be noted that within the miscellaneous retail category (SIC 59 ex. 591), luggage and leather goods stores turned in a tremendous performance with an adjusted sales increase of 53.1 percent.

Payroll

Payroll is often cited to define growth and the overall importance of a business sector. However, in the retail trade context the average pay per person is difficult to analyze because many workers are employed parttime and their salaries lower the figure for annual average pay per employee. Nevertheless, the average does have some value as a measure of comparative performance because it is consistent over time.

Total retail sales payrolls exceeded $3 billion in 1977, an unadjusted increase of 61.3 percent over the 1972 figure, or 11.4 percent in adjusted terms. Automotive dealers had the highest annual pay per employee of $11,778, an increase of 36.5 percent over 1972. Furniture, home furnishings and equipment stores posted the next highest average of $8,923. Eating and drinking establishments, although displaying the largest increase in payroll, also had the lowest average annual payroll per employee ($3,917). An increase in the number of part-

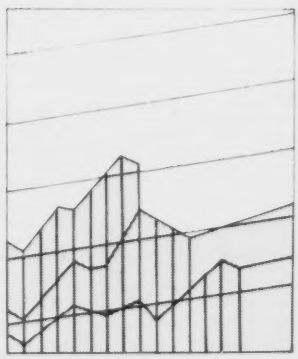

Table 1. —Retail establishments, sales and payroll in selected sectors, 1972 and 1977

SIC code		Retail establishments			Gross sales			Payroll		
		1972 (number)	1977 (number)	Percent change	1972 ($000s)	1977 ($000s)	Percent change	1972 ($000s)	1977 ($000s)	Percent change
	Total retail trade	70,898	82,251	16.0	19,430,163 (13,625,640)	31,413,088 (13,998,702)	61.7 (2.7)	2,302,230 (1,837,374)	3,714,267 (2,046,428)	61.3 (11.4)
52	Bldg. mats., hdw., gard. sup., and mobile home dealers	3,711	4,595	23.8	1,182,540 (829,271)	1,553,759 (692,406)	31.4 (-16.5)	128,926 (102,894)	179,977 (99,161)	39.6 (-3.6)
53	General merch. group stores	2,130	1,922	-9.8	2,752,474 (1,930,206)	4,113,942 (1,833,309)	49.5 (-5.0)	370,334 (295,558)	556,698 (306,721)	50.3 (3.8)
54	Food stores	10,410	11,379	9.3	4,011,173 (2,812,884)	7,015,631 (3,126,395)	74.9 (11.1)	331,248 (264,364)	608,780 (335,416)	83.8 (26.9)
55 ex. 554	Automotive dealers	4,971	6,069	22.1	4,229,267 (2,965,825)	6,644,624 (2,961,062)	57.1 (-0.2)	399,250 (318,635)	587,786 (323,849)	47.2 (1.6)
554	Gasoline serv. stations	9,199	7,287	-20.8	1,352,219 (948,260)	2,386,463 (1,063,486)	76.5 (12.2)	117,218 (93,550)	157,728 (86,902)	34.6 (-7.1)
56	Apparel and accessory stores	5,916	6,830	15.4	938,166 (657,900)	1,406,103 (626,605)	49.9 (-4.8)	137,401 (109,658)	209,338 (115,338)	52.4 (5.2)
57	Furn., home furngs. and equipment stores	5,340	6,669	24.9	1,077,765 (755,796)	1,554,757 (692,851)	44.3 (-8.3)	149,373 (119,212)	218,928 (120,621)	46.6 (1.2)
58	Eating and drinking places	12,601	13,673	8.5	1,575,219 (1,104,642)	2,924,742 (1,303,361)	85.7 (18.0)	369,123 (294,591)	700,494 (385,947)	89.8 (31.0)
59 ex. 591	Miscellaneous	14,816	21,863	47.6	1,594,175 (1,117,935)	2,694,430 (1,200,726)	69.0 (7.4)	200,569 (160,071)	343,960 (189,510)	71.5 (18.4)
591	Drug and prop. stores	1,804	1,964	8.9	717,165 (502,921)	1,118,634 (498,300)	56.0 (-0.9)	98,788 (78,841)	150,578 (82,963)	52.4 (5.2)

Note: The figures in parentheses represent 1967 dollar values. The Retail Price Index was used to deflate sales figures; the Consumer Price Index was used to deflate payroll.
Sources: U.S. Department of Commerce, 1972 and 1977 Census of Retail Sales.

time employees at minimum salary plus gratuities would reconcile these figures. In the remaining major groupings, average salaries ranged from $5,000 to $10,000.

Number of firms

In 1977 there were 82,251 firms engaged primarily in retail trade in Florida, an increase of 16.0 percent over 1972. However, the rate of growth between 1972 and 1977 was 13.6 percent less than the 1967-to-1972 growth rate. Although overall retail trade expansion seems to have reached a plateau, some subsectors continue to add new establishments at a healthy rate.

The number of building materials, hardware, garden supply and mobile home dealers (SIC 52) increased substantially by 23.8 percent but, as mentioned earlier, also posted the largest decline in adjusted gross sales. A further breakdown of this classification reconciles these seemingly contradictory statements. While mobile home dealers declined significantly in both number and sales, retail nurseries, lawn and garden supply stores increased their sales by 154.5 percent. Reasonably, the number of nurseries would also have increased by a substantial amount since it is unlikely that excessive profits would have been realized by only a few firms.

Miscellaneous retail trade showed the greatest increase in establishments at 47.7 percent. Within this category, luggage and leather stores, miscellaneous shops and camera stores performed well. The second largest increase in the number of establishments, 24.9 percent, was in furniture, home furnishings and equipment stores. Radio and television and music stores were the chief contributors to this increase.

On the negative side, the number of gasoline service stations decreased 20.8 per-

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Table 2.—Retail establishments, sales and payroll by SMSA, 1972 and 1977

SMSA	Retail establishments			Gross sales			Payroll		
	1972 (number)	1977 (number)	Percent change	1972 ($000s)	1977 ($000s)	Percent change	1972 ($000s)	1977 ($000s)	Percent change
Bradenton	(NA)	1,106	(NA)	(NA) (NA)	477,101 (212,612)	(NA) (NA)	(NA) (NA)	55,387 (30,516)	(NA) (NA)
Daytona Beach	2,338	2,581	10.4	519,976 (364,640)	861,352 (383,847)	65.7 (5.3)	59,152 (47,208)	101,036 (55,667)	70.8 (17.9)
Ft. Lauderdale-Hollywood	7,518	9,023	20.0	2,191,249 (1,536,640)	3,802,430 (1,694,488)	73.5 (10.3)	272,659 (217,605)	454,642 (250,491)	66.7 (15.1)
Ft. Myers	1,424	1,933	35.7	375,496 (263,321)	721,152 (321,369)	92.1 (22.0)	42,387 (33,828)	83,844 (46,195)	97.8 (36.6)
Gainesville	1,029	1,167	13.4	303,302 (212,694)	485,365 (216,295)	60.0 (1.7)	34,985 (27,921)	58,918 (32,462)	68.4 (16.3)
Jacksonville	6,078	5,941	-2.3	1,588,248 (1,113,778)	2,435,097 (1,085,159)	53.3 (-2.6)	189,917 (151,570)	296,018 (163,095)	55.9 (7.6)
Lakeland-Winter Haven	2,546	2,626	3.1	608,599 (426,788)	1,001,126 (446,135)	64.5 (4.5)	66,998 (53,470)	112,819 (62,159)	68.4 (16.3)
Melbourne-Titusville-Cocoa	2,313	2,214	-4.3	552,904 (387,731)	816,733 (363,963)	47.7 (6.1)	61,472 (49,060)	93,100 (51,295)	51.5 (4.6)
Miami	13,724	13,729	0.0	3,800,526 (2,665,165)	5,561,036 (2,478,180)	46.3 (7.0)	484,815 (386,923)	680,077 (374,608)	40.3 (-3.2)
Orlando	5,019	5,436	8.3	1,379,817 (967,614)	2,275,552 (1,014,061)	64.9 (4.8)	157,029 (125,322)	268,100 (147,713)	70.7 (17.9)
Panama City	(NA)	1,031	(NA)	(NA) (NA)	333,919 (148,805)	(NA) (NA)	(NA) (NA)	41,045 (22,614)	(NA) (NA)
Pensacola	2,256	2,287	1.4	565,675 (396,687)	873,621 (389,315)	54.4 (1.9)	64,009 (51,085)	100,953 (55,621)	57.7 (8.9)
Sarasota	1,698	2,055	21.0	469,023 (328,908)	775,961 (345,794)	65.4 (5.1)	56,361 (44,981)	94,601 (52,122)	67.8 (15.9)
Tallahassee	1,117	1,139	2.0	319,847 (224,297)	512,620 (228,440)	60.3 (1.8)	38,466 (30,699)	62,449 (34,407)	62.3 (12.1)
Tampa-St. Petersburg	11,464	12,222	6.6	3,254,142 (2,282,007)	4,850,451 (2,161,520)	49.1 (5.3)	390,495 (311,648)	582,227 (320,786)	49.1 (2.9)
West Palm Beach-Boca Raton	4,308	4,930	14.4	1,190,460 (834,825)	1,949,701 (868,850)	63.8 (4.1)	145,509 (116,128)	238,227 (131,255)	63.7 (13.0)

Note: The figures in parentheses represent 1967 dollar values. The Retail Price Index was used to deflate sales figures; the Consumer Price Index was used to deflate payroll.
Sources: U.S. Department of Commerce, 1972 and 1977 Census of Retail Sales.

cent. General merchandise groups followed with a loss of 9.8 percent in number of establishments and a loss in inflation-adjusted sales of 5.0 percent.

Geographic distribution

Observing concentration points of retail trade throughout the state, the supremacy of the Miami SMSA is obvious. Leading with 13,729 establishments, Miami outranks its closest competition, Tampa-St. Petersburg, by well over 2,000 firms. Although dominating in the totals, Miami's number of retail firms remained constant. Employment increased 16.7 percent, while adjusted payroll declined 3.2 percent. Miami appears to have entered a stage of declining growth and its retail sector is employing a greater number of parttime workers to maintain profits. Firms in the Fort-Lauderdale SMSA, adjacent to Miami, grew 20.0 percent. Employment topped 55,000, representing a 39.4 percent increase over 1972.

Central Florida, with a growing population, performed modestly with respect to retail trade.

In the northern sector of the state, retail trade expanded slightly in some areas and decreased in others. Jacksonville declined in number of firms by 2.3 percent and had a loss in inflation-adjusted sales of 2.6 percent. Tallahassee grew in number of firms by only 2.0 percent.

A separate article in this issue analyzes geographic distribution of various industries in the state.

For a detailed breakdown of retail trade in Florida, readers are referred to the U. S. Department of Commerce 1977 *Census of Retail Trade*.

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WHOLESALE TRADE EMPLOYMENT ALMOST UNCHANGED

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At first glance, wholesale trade in Florida performed impressively between 1972 and 1977. Growth rates in payroll and total sales in excess of 50 percent were recorded for many types of businesses included in the *Census of Wholesale Trade* for those years. (Standard Industrial Classification [SIC] codes 50 and 51 are reserved for wholesale trade.)

Sales of durable goods (SIC 50) increased 67 percent on the average and payroll increased 59 percent. For nondurable goods (SIC 51) the figures are 77 percent and 56 percent, respectively. The average increase for all wholesale businesses was 72 percent for sales and 58 percent for payrolls.

Drastic change

Adjustment for inflation changes the figures drastically, however. In real terms, wholesale sales increased only 5.5 percent and payroll increased only 9.0 percent.

Twelve categories, six from durable goods and six from nondurables, were chosen for analysis: motor vehicles and automotive parts and supplies (SIC 501), furniture and home furnishings (SIC 502), and lumber and other construction materials (SIC 503) were selected because of the large part the construction and auto industries play in our economy.

The category including jewelry, watches, diamonds, and other precious stones (SIC 5094) was used to present an interesting sidelight. Photographic equipment and supplies (SIC 5043) experienced the greatest loss in sales of all durables, and coal and other minerals and ores (SIC 5052) experienced the greatest gain. Drugs, drug proprietaries, and druggists' sundries (SIC 512); apparel, piece goods, and notions (SIC 513); groceries and related products (SIC 514); and petroleum and petroleum products (SIC 517)

were chosen as being necessities. Notions and other dry goods (SIC 5134) experienced the greatest loss and farm products raw materials-grain (SIC 5153) the greatest gain of all nondurables.

Except where noted, all figures and percentage changes are adjusted for inflation. Sales figures were adjusted using the Wholesale Price Index and payroll was adjusted using the Consumer Price Index. Both are indexed to 1967.

Sales and payroll

Motor vehicles and automotive parts and supplies sales and payroll increased about 11 percent to $3 billion and $95 million, respectively. Furniture and home furnishings sales increased 3.6 percent to more than $304 million, with home furnishings increasing 16 percent and furniture decreasing 13 percent. Total sales of home furnishings were almost twice those of furniture. Construction materials in general registered a gloomy five years from 1972 to 1977 with a decrease in sales of over 14 percent to $725 million and a decrease in payroll of 11 percent to less than $48 million. Photographic equipment and supplies experienced the greatest sales loss of all durables listed in the SIC codes with a 49.1 percent decrease to about $32 million. Payroll in this category also showed the greatest decrease of 63.4 percent to about $3 million.

For drugs, drug proprietaries, and druggists' sundries, sales grew 27 percent and payroll almost 50 percent to $303 million and $22 million, respectively. Apparel, piece goods, and notions sales went down more than 16 percent but payroll increased almost 4 percent. While men's, women's and children's apparel sales dropped, piece goods sales increased almost 51 percent, seeming to indicate that more clothes are being made at home rather than purchased. Sales of groceries and related products remained fairly constant and payroll decreased only slightly.

The greatest increase in sales by far came in coal and other minerals and ores. Even with the number of firms increasing by only 16.7 percent to fourteen, sales climbed a whopping 3,244 percent to almost $166 million. Payroll in this area showed a tremendous gain also of 1,172 percent to more than $2 million. In a period of rapidly rising petroleum costs, this is probably to be expected.

Table 1 compares all the selected categories.

Number of establishments

Another standard measure of change in wholesale trade, along with sales and payroll, is the number of establishments in the different categories. Durable goods firms increased 21 percent to almost 10,000. The number of firms dealing with nondurables increased 5 percent to about 5,700.

Motor vehicles and automotive parts and supplies establishments increased over 18 percent to about 1,800. The number of establishments dealing with home furnishings increased almost 30 percent while those dealing with furniture increased only 17 percent. As might be expected with housing sales dropping, the number of firms selling construction materials increased less than 1 percent. Photographic equipment and supplies firms dropped by over 31.8 percent as a result of the great decrease in sales in that area. While the number of firms selling coal and other minerals and ores increased 16.7 percent, the number of firms selling petroleum and petroleum products decreased by 16.4 percent.

Table 1 contains number-of-establishment figures for 1972 and 1977 along with percentage changes for all categories used.

What's happening

Obvious trends are difficult to detect since sales and payrolls showed both declines and increases in both durable and nondurable goods.

Consumers can be expected to purchase less if their buying power fails to keep up with rising prices. The large increase in the Wholesale Price Index (1967 = 100) from 119.1 in 1972 to 194.2 in 1977 is sufficient evidence of inflation with rising prices. As indicated by estimates for July 1, 1972, and July 1, 1977, Florida's population increased 17.1 percent. During this period, wholesale sales increased only 5.5 percent, resulting in a drop of per capita wholesale sales from $2,255 to $2,031.

Table 1.—Wholesale establishments, sales and payroll in selected sectors, 1972 and 1977

SIC code		Wholesale establishments			Gross sales			Payroll		
		1972 (number)	1977 (number)	Percent change	1972 ($000s)	1977 ($000s)	Percent change	1972 ($000s)	1977 ($000s)	Percent change
	Total wholesale trade	13,450	15,409	14.6	19,983,912 (16,779,103)	34,380,491 (17,703,651)	72.0 (5.5)	1,154,155 (921,113)	1,822,284 (1,004,013)	57.9 (9.0)
50	Wholesale trade, durable goods	8,046	9,737	21.0	10,211,911 (8,574,233)	17,032,429 (8,770,561)	66.8 (2.3)	668,093 (533,195)	1,064,509 (586,506)	59.3 (10.0)
501	Motor vehicles and auto. parts and supplies	1,515	1,796	18.5	3,144,564 (2,640,272)	5,696,212 (2,933,168)	81.1 (11.1)	107,717 (85,967)	173,201 (95,428)	60.8 (11.0)
502	Furniture and home furnishings	454	561	23.6	349,552 (293,495)	590,625 (304,132)	69.0 (3.6)	31,107 (24,826)	41,463 (22,845)	33.3 (-8.0)
503	Lumber and other construction materials	742	748	0.8	1,008,226 (846,537)	1,408,742 (725,408)	39.7 (-14.3)	67,651 (53,991)	87,110 (47,994)	28.8 (-11.1)
5043	Photographic equip. and supplies	66	45	-31.8	74,761 (62,772)	62,101 (31,978)	-16.9 (-49.1)	10,249 (8,180)	5,439 (2,997)	-46.9 (-63.4)
5052	Coal and other minerals and ores	12	14	16.7	5,907 (4,960)	322,092 (165,856)	5,352.7 (3,243.9)	211 (168)	3,878 (2,137)	1,737.9 (1,172.0)
5094	Jewelry, watches diamonds and other precious stones	134	190	41.8	65,369 (54,886)	188,863 (97,252)	188.9 (77.2)	6,193 (4,943)	11,382 (6,271)	83.8 (26.9)
51	Wholesale trade, nondurable goods	5,404	5,672	5.0	9,772,001 (8,204,871)	17,348,062 (8,933,091)	77.5 (8.9)	486,062 (387,919)	757,775 (417,507)	55.9 (7.6)
512	Drugs, drug proprietaries, and druggists' sundries	182	196	7.7	284,843 (239,163)	588,273 (302,921)	106.5 (26.7)	18,520 (14,781)	40,038 (22,060)	116.2 (49.2)
513	Apparel, piece goods, and notions	361	459	27.1	347,860 (292,074)	473,001 (243,564)	36.0 (-16.6)	23,503 (18,757)	35,348 (19,475)	50.4 (3.8)
5134	Notions and other dry goods	31	44	41.9	43,253 (36,317)	39,532 (20,356)	-8.6 (-43.9)	2,432 (1,941)	3,101 (1,709)	27.5 (-12.0)
514	Groceries and related products	1,880	1,907	1.4	4,379,758 (3,677,379)	7,168,245 (3,691,166)	63.7 (0.4)	220,581 (176,042)	315,162 (173,643)	42.9 (-1.4)
5153	Farm product raw materials --grain	28	32	14.3	93,863 (78,810)	265,840 (136,890)	183.2 (73.7)	1,751 (1,397)	2,917 (1,607)	66.6 (15.0)
517	Petroleum and petroleum products	743	621	-16.4	1,602,238 (1,345,288)	3,864,884 (1,990,157)	141.2 (47.9)	42,843 (34,192)	72,674 (40,041)	69.6 (17.1)

Note: The figures in parentheses represent 1967 dollar values. The Wholesale Price Index was used to deflate sales figures; the Consumer Price Index was used to deflate payroll.
Sources: U.S. Department of Commerce, 1972 and 1977 Census of Wholesale Trade.

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Table 2. —Wholesale sales, employment and payroll by SMSA, 1972 and 1977

SMSA	Gross sales			Employment			Payroll		
	1972 ($000s)	1977 ($000s)	Percent change	1972 (number)	1977 (number)	Percent change	1972 ($000s)	1977 ($000s)	Percent change
Bradenton	(NA) (NA)	203,508 (104,793)	(NA) (NA)	(NA)	988	(NA)	(NA) (NA)	9,956 (5,485)	(NA) (NA)
Daytona Beach	113,555 (95,344)	183,003 (94,234)	61.2 (-1.2)	1,524	1,702	11.7	9,912 (7,911)	16,337 (9,001)	64.8 (13.8)
Ft. Lauderdale-Hollywood	1,327,343 (1,114,478)	3,274,030 (1,685,906)	146.7 (51.3)	9,133	11,621	27.2	76,908 (61,379)	140,650 (77,493)	82.9 (26.3)
Ft. Myers-Cape Coral	124,089 (104,189)	350,304 (180,383)	182.3 (73.1)	1,604	2,022	26.1	11,288 (9,009)	22,859 (12,594)	103.0 (39.8)
Gainesville	143,591 (120,563)	230,257 (118,567)	60.4 (-1.7)	1,298	1,442	11.1	8,517 (6,797)	14,601 (8,045)	71.4 (18.4)
Jacksonville	1,481,831 (3,763,082)	7,012,940 (3,611,195)	56.5 (-4.0)	16,875	18,442	9.3	151,426 (120,851)	229,069 (126,209)	51.3 (4.4)
Lakeland-Winter Haven	519,706 (436,361)	839,917 (432,501)	61.6 (-1.0)	7,137	5,531	-22.5	44,398 (35,433)	58,513 (32,239)	31.8 (-9.0)
Melbourne-Titusville-Cocoa	119,996 (100,752)	301,371 (155,186)	151.2 (54.0)	2,009	1,795	-10.7	10,524 (8,399)	20,651 (11,378)	96.2 (35.5)
Miami	5,434,419 (4,562,904)	8,681,120 (4,470,196)	59.7 (-2.0)	39,049	43,050	10.2	348,648 (278,251)	530,376 (292,218)	52.1 (5.0)
Orlando	1,764,760 (1,481,746)	2,954,920 (1,521,586)	67.4 (2.7)	13,785	15,727	14.1	107,646 (85,911)	170,922 (94,172)	58.8 (9.6)
Panama City	(NA) (NA)	263,851 (135,866)	(NA) (NA)	(NA)	1,396	(NA)	(NA) (NA)	14,668 (8,082)	(NA) (NA)
Pensacola	328,223 (275,586)	604,598 (311,327)	84.2 (13.0)	2,905	3,701	27.4	21,655 (17,283)	39,564 (21,798)	82.7 (26.1)
Sarasota	109,235 (91,717)	203,014 (104,539)	85.9 (14.0)	1,530	1,709	11.7	11,660 (9,306)	18,918 (10,423)	62.2 (12.0)
Tallahassee	162,952 (136,819)	270,918 (139,505)	66.3 (2.0)	1,862	1,987	6.7	15,156 (12,096)	22,605 (12,455)	49.1 (3.0)
Tampa-St. Petersburg	3,377,719 (2,836,036)	5,976,137 (3,077,311)	76.9 (8.5)	24,428	27,455	12.4	197,577 (157,683)	320,897 (176,803)	62.4 (12.1)
West Palm Beach-Boca Raton	551,852 (463,352)	947,219 (487,754)	71.6 (5.3)	5,533	6,681	20.7	41,651 (33,241)	69,265 (38,163)	66.3 (14.8)

Note: The figures in parentheses represent 1967 dollar values. The Wholesale Price Index was used to deflate sales figures; the Consumer Price Index was used to deflate payroll.
Sources: U.S. Department of Commerce, 1972 and 1977 Census of Wholesale Trade.

With this increase in population, the civilian work force grew from about 3,082,000 in 1972 to about 3,520,000 in 1977. In 1972, wholesale trade employed approximately 4.6 percent of the civilian labor force. This figure remained almost constant for 1977 (4.5 percent).

A glance at some other categories in our selected sample reveals some sidelights on the state of the economy. For example, as a hedge on inflation consumers have historically invested in precious metals and stones. SIC 5094, jewelry, watches, diamonds, and other precious stones, registered a heavy increase in sales of 77.2 percent to more than $97 million. A possible indicator of changes in consumer tastes and buying habits is the increase in grain sales. SIC 5153, grain, showed a sales increase of 73.7 percent to more than $136 million.

Geographical concentration

As can be expected, wholesale firms are heavily concentrated in Standard Metropolitan Statistical Areas (SMSAs). About 90 percent are in SMSAs and about 78 percent in the most populous (Jacksonville, Ft. Lauderdale-Hollywood, Miami, Orlando, and Tampa-St. Petersburg). Miami, traditionally a center for international trade, contains over 27 percent of all wholesale firms.

For a listing of all SMSAs with firms, sales, employment, and payroll for each, see Table 2. A thorough discussion of geographical movement can be found in another article in this issue.

For an extensive breakdown of the entire wholesale industry in Florida, see the 1977 *Census of Wholesale Trade* published by the U.S. Department of Commerce.

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SERVICES CONTINUE STRONG GROWTH

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Service industries are establishments engaged primarily in rendering a wide variety of services to individuals and businesses. Growth in the service industries is inextricably tied to growth in other economic sectors such as manufacturing, wholesale and retail trade.

According to the *Census of Service Industries*, there were 81,761 firms in this category in Florida in 1977—a 17.8 percent increase over 1972 and a continuation of strong growth within this sector. With 349,608 persons employed in services in 1977 (10.0 percent of the total Florida civilian labor force) these industries are a key employer in the Florida economy. This follows the national trend of increased and expanded service establishments.

Total receipts of services establishments increased 65.8 percent from 1972 to 1977. Adjusted for inflation, this is a real increase of 14.5 percent. This growth is concentrated in the business services and repair services subsectors. Standard Industrial Classification (SIC) codes 70 through 89 classify services.

Leading services industries

The number of business service firms (SIC 73), establishments engaged in providing services to business enterprises, increased 36 percent over 1972 to 21,033 firms with inflation-adjusted sales of more than $1 billion in 1977. Employment in this subsector increased 40.6 percent to 96,919 employees with an average annual payroll of $8,051. This average is by definition somewhat misleading and should be viewed with caution.

The largest increase within the business service subsector was in the number of computer and data-processing services, which went up 119.8 percent in the five-year period to 556 firms. Inflation-adjusted receipts were $129 million, or a 158.0 percent increase over 1972. Payroll grew 173.7 percent in inflation-adjusted terms because high demand for qualified employees caused salaries to rise.

Personal services (SIC 72), those involving the care of personal appearance or apparel, posted a loss in inflation-adjusted receipts of 4.8 percent. Although the number of firms increased 5.0 percent, employment decreased by 1.8 percent and inflation-adjusted payroll decreased 37.8 percent. Within this category other laundry, cleaning, and garment services contributed substantially to the loss, while barber shop receipts declined 26.8 percent between the 1972 and 1977 censuses.

Miscellaneous repair services (SIC 76) performed well, with an increase in inflation-adjusted receipts of 34.0 percent. This category does not include repair centers of retail or wholesale dealers engaged primarily in an activity other than repair. Employment increased by 39.1 percent over 1972 to 13,896 persons. Average annual payroll within the group was $9,681. With electronic equipment heavily produced in southeast Florida and marketed throughout the state, a concomitant increase in electronic repair service establishments was noted. Furthermore, other electrical and electronic repair shops receipts increased 90.4 percent in inflation-adjusted terms.

Hotels, motels, trailer parks and camps (SIC 70) performed poorly. The number of establishments decreased 17.5 percent and inflation-adjusted sales increased by only 4.5 percent. Within this category, trailer parks and campsites for transients (SIC 701) experienced strong increases in receipts, number of establishments and payroll, indicating that tourists are turning to less expensive accommodations to reduce the cost of their Florida vacations. Average annual payroll per employee in this subsector was one of the lowest among the service industries—$4,663. Overall, the performance of the lodgings group compared with the other major categories within the service industries was lackluster.

Legal services had the largest average annual pay per employee at $16,261. By the nature of this category, professionals are employed at commensurate salaries, with few

Table 1. —Services establishments, receipts and payroll in selected sectors, 1972 and 1977

SIC code	Industry	Services establishments			Receipts			Payroll		
		1972 (number)	1977 (number)	Percent change	1972 ($000s)	1977 ($000s)	Percent change	1972 ($000s)	1977 ($000s)	Percent change
	Total services	69,394	81,761	17.8	5,156,193 (4,115,078)	8,549,374 (4,710,399)	65.8 (14.5)	1,545,720 (1,233,615)	2,652,919 (1,461,663)	71.6 (18.5)
70	Hotels, motels, trailering parks, & camps	7,439	6,137	-17.5	1,042,360 (831,891)	1,577,082 (868,916)	51.3 (4.5)	269,972 (215,460)	414,733 (228,503)	53.6 (6.1)
72	Personal services	17,361	18,225	5.0	562,592 (448,996)	775,727 (427,398)	37.9 (-4.8)	182,017 (145,265)	243,092 (133,935)	33.6 (-7.8)
73	Business services	15,460	21,033	36.0	1,191,630 (951,022)	2,067,921 (1,139,350)	73.5 (19.8)	437,770 (349,377)	780,308 (429,922)	78.2 (23.1)
731	Advertising	1,322	1,440	8.9	70,472 (56,253)	125,658 (69,233)	78.3 (23.1)	27,923 (22,285)	41,180 (22,689)	47.5 (1.8)
734	Services to dwellings & other buildings	2,373	3,227	36.0	115,038 (91,810)	222,942 (122,833)	93.8 (33.8)	52,054 (41,543)	100,443 (55,340)	93.0 (33.2)
737	Computer & data processing	253	556	119.8	62,943 (50,234)	235,213 (129,594)	273.7 (158.0)	23,391 (18,668)	92,723 (51,087)	296.4 (173.7)
735	New syndicates	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)	1,049 (837)	1,696 (934)	61.7 (11.6)
75	Automotive repair, services & garages	6,308	8,421	33.5	540,524 (431,384)	999,796 (550,852)	85.0 (27.7)	110,039 (87,820)	199,991 (110,088)	81.7 (25.5)
76	Miscellaneous repair services	7,093	8,367	18.0	266,263 (212,500)	516,692 (284,679)	94.1 (34.0)	69,002 (55,069)	134,523 (74,117)	95.0 (34.6)
78, 79	Amusement & recreation including motion pictures	6,814	8,196	20.3	723,114 (577,106)	1,157,192 (637,571)	60.0 (10.5)	199,435 (159,166)	297,071 (163,675)	49.0 (2.8)
794	Commercial sports	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)	39,957 (31,889)	61,719 (34,005)	54.5 (6.6)
8072	Dental laboratories	467	601	28.7	23,162 (18,485)	40,484 (22,305)	74.8 (20.7)	7,245 (5,782)	13,528 (7,453)	86.7 (28.9)
81	Legal services	5,500	7,304	32.8	503,488 (401,826)	949,778 (523,294)	88.6 (30.2)	141,591 (113,002)	360,969 (198,881)	154.9 (76.0)
891	Engineering, arch. and surveying services	2,952	3,477	17.8	303,060 (241,868)	464,702 (256,034)	53.3 (5.9)	128,649 (102,673)	208,704 (114,988)	62.2 (12.0)

Note: The figures in parentheses represent 1967 dollar values. The Consumer Price Index was used to deflate both receipts and payroll figures.
Sources: U.S. Department of Commerce, 1972 and 1977 Census of Service Industries.

persons being parttime. Receipts increased 30.2 percent in inflation-adjusted terms, with payroll showing a 76.0 percent increase. There were 7,304 establishments engaged primarily in legal work in 1977, or approximately one firm for every 12,000 persons in the state.

Geographical distribution

The concentration of service establishments in the state should correlate with the concentration of other businesses. In southeast Florida, well-developed industry is complemented by a mature services sector holding a constant-to-positive growth rate. The Fort Lauderdale-Hollywood SMSA grew in number of firms by 27.8 percent to 9,830 establishments, with inflation-adjusted receipts exceeding half a billion dollars. The Miami SMSA, traditionally a leading industrial area, maintained the largest number of service establishments at 16,210. Although this is the leading SMSA, with services employment increasing 12 percent, its inflation-adjusted

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Table 2.—Services establishments, receipts and payroll by SMSA, 1972 and 1977

SMSA	Services establishments			Receipts			Payroll		
	1972 (number)	1977 (number)	Percent change	1972 ($000s)	1977 ($000s)	Percent change	1972 ($000s)	1977 ($000s)	Percent change
Bradenton	(NA)	1,113	(NA)	(NA)	70,585	(NA)	(NA)	18,934	(NA)
				(NA)	(38,890)	(NA)	(NA)	(10,432)	(NA)
Daytona Beach	2,066	2,433	17.8	139,794	238,435	70.6	33,920	62,013	82.8
				(111,567)	(131,369)	(17.7)	(27,071)	(34,167)	(26.2)
Ft. Lauderdale-Hollywood	7,692	9,830	27.8	567,813	974,980	69.0	166,622	286,474	71.9
				(460,346)	(537,179)	(16.7)	(132,978)	(157,837)	(18.7)
Ft. Myers-Cape Coral	1,273	1,755	37.9	64,560	137,273	112.6	16,197	37,387	130.8
				(51,524)	(75,633)	(46.8)	(12,927)	(20,599)	(59.3)
Gainesville	854	1,201	40.6	43,280	79,368	83.4	12,696	23,209	82.8
				(34,541)	(43,729)	(26.6)	(10,132)	(12,787)	(26.2)
Jacksonville	4,989	5,424	8.7	387,694	663,340	71.1	114,593	208,163	81.7
				(309,413)	(356,477)	(18.1)	(91,455)	(114,690)	(25.4)
Lakeland-Winter Haven	2,000	2,279	14.0	105,901	184,805	74.5	28,832	55,747	93.4
				(84,518)	(101,821)	(20.5)	(23,010)	(30,715)	(33.5)
Melbourne-Titusville-Cocoa	1,762	1,947	10.5	235,671	356,986	51.5	113,236	167,395	47.8
				(188,085)	(196,687)	(4.6)	(90,372)	(92,229)	(2.1)
Miami	15,039	16,210	7.8	1,400,464	2,048,323	46.3	420,814	655,833	55.8
				(1,117,689)	(1,128,553)	(1.0)	(335,845)	(361,341)	(7.6)
Orlando	4,502	5,587	24.1	503,910	990,949	96.7	163,405	298,763	82.8
				(402,163)	(545,977)	(35.4)	(130,411)	(164,608)	(26.2)
Panama City	(NA)	890	(NA)	(NA)	68,893	(NA)	(NA)	16,667	(NA)
				(NA)	(37,958)	(NA)	(NA)	(9,183)	(NA)
Pensacola	1,700	1,910	12.4	84,677	132,539	56.5	22,690	41,469	82.8
				(67,579)	(73,024)	(8.1)	(18,109)	(22,848)	(26.2)
Sarasota	1,879	2,318	23.4	109,076	183,491	68.2	30,115	53,608	78.0
				(87,052)	(101,097)	(16.1)	(24,034)	(29,536)	(22.9)
Tallahassee	1,019	1,343	31.8	60,716	107,269	76.7	17,677	31,748	79.6
				(48,457)	(59,101)	(22.0)	(14,108)	(17,492)	(24.0)
Tampa-St. Petersburg	10,822	12,566	16.1	705,347	1,206,617	71.1	203,193	376,249	85.2
				(562,927)	(664,803)	(18.1)	(162,165)	(207,300)	(27.8)
West Palm Beach-Boca Raton	3,995	5,015	25.5	297,194	465,109	56.5	85,027	150,136	76.6
				(237,186)	(265,258)	(8.0)	(67,859)	(82,720)	(21.9)

Note: The figures in parentheses represent 1967 dollar values. The Consumer Price Index was used to deflate both receipts and payroll figures.

Sources: U.S. Department of Commerce, 1972 and 1977 Census of Service Industries.

receipts dropped 4.1 percent. Payroll in this area moved forward at the dismal pace of 7.6 percent in inflation-adjusted terms over 1972.

Central Florida performed well, with the Orlando SMSA gaining 24.1 percent in number of firms and inflation-adjusted sales increasing 35.2 percent. Services employment in Orlando increased more than that in any other SMSA—43.5 percent over 1972. The area registered the third largest employment figure of 40,408 persons. Daytona Beach increased in number of service firms by 17.8 percent over 1972, with an increase in employment of 42.6 percent. Receipts gained 17.7 percent in inflation-adjusted terms. The Tampa-St. Petersburg SMSA gained 16.1 percent in number of establishments and contained the second largest number in 1977 at 12,566. Receipts increased in inflation-adjusted terms by 18.1 percent. Overall, central Florida experienced strong growth in service-related firms and can be expected to continue this growth pattern.

North Florida performed modestly to strong, with the Tallahassee SMSA increasing in number of establishments by 31.8 percent to 1,343. Receipts adjusted for inflation exceeded $59 million, increasing 18.1 percent over 1972. Employment went up 27.8 percent and payroll showed a 24.0 percent adjusted increase. The Jacksonville SMSA displayed fair gain in number of establishments, 8.7 percent, and employment, 20.7 percent. Receipts topped $365 million, adjusted for inflation, for an 18.1 percent gain in 1977.

Geographical movement in all business sectors is discussed in a separate article in this issue. For a more detailed statistical record of services industries in Florida, see the U. S. Department of Commerce 1977 *Census of Service Industries.*

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LARGEST CITIES POST DECLINING SHARE OF BUSINESS

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Geographic concentrations and movements of business firms throughout the state between 1972 and 1977 are revealed by a study of market regions and the Standard Metropolitan Statistical Areas (SMSAs) located within each.

A market region is defined as those counties from which a metropolitan area draws trade and in which its lending institutions make loans. There are five in Florida.

Business firms might be expected to concentrate in the most populated areas. Analysis of the wholesale, retail, services, and manufacturing sectors reveals if this is indeed the case. Percentages in the following discussion are percentages of all firms statewide located within a particular area.

Wholesale trade

In 1972 the southeast region contained the largest share of the state's wholesale establishments, with 40.2 percent. Miami alone contained almost 27 percent. By 1977 this region included 42.8 percent of all wholesale firms. This increase of 2.6 percentage points was the largest experienced by any of the regions.

In a distant second place was the southwest region, with 1972 and 1977 figures of 21.4 and 21.8 percent, respectively. The Tampa-St. Petersburg SMSA contained approximately 70 percent of the region's firms in both years.

The central region had 11.5 percent of all wholesale firms for both years. The Orlando SMSA actually showed a slight decrease, which is unexpected considering the rapid population growth in that area.

The northeast region, the only one to show a decrease, had 10.8 percent of the state's wholesale firms in 1972 and only 9.8 percent in 1977. The Jacksonville SMSA experienced this loss while the Gainesville SMSA remained constant.

The region containing the fewest firms, the northwest, is the least populated, and, therefore, its low 1972 and 1977 percentages of 3.7 and 4.4 are not surprising.

Table 1 shows that no movement of wholesale trade among the regions is obvious. Only one region had a decrease in percentage of the state's firms, but this was due to a small increase in number within that region rather than a movement out of it.

Retail trade

The southeast region also led in this sector. In 1972, 36 percent of the state's retail firms were located here, with almost 20 percent in Miami alone. By 1977, however, these percentages had dropped to 33.8 and less than 17 percent. The only SMSA in this region experiencing an increase in share of retail firms was Ft. Lauderdale-Hollywood.

The southwest region remained about constant. The largest SMSA, Tampa-St. Petersburg, contained 16.2 percent of the state's firms in 1972 but only 14.9 percent in 1977.

In the central region all three SMSAs showed a decrease. The region fell from 13.7 to 12.4 percent of the state's firms in the retail sector.

The northeast experienced about the same decrease in retail establishments as in wholesale. Again, the Jacksonville SMSA decreased almost 1.5 percent and Gainesville remained almost constant. This region contained more than 10 percent of the retail firms in 1972, dropping to about 8.5 percent in 1977.

At the bottom of the list again was the northwest region. Pensacola, this region's largest SMSA, contained only 3 percent of the state's retail firms in 1977 and the entire region contained only 5.5 percent, up from 4.8 percent in 1972. This was the only increase experienced by a region from 1972 to 1977 in the retail sector.

Table 1.—Percentages of state total of wholesale, retail, services and manufacturing industries in each SMSA, by region, 1972 and 1977

Region and SMSAs	Percentage of total establishments in the state							
	Wholesale trade		Retail trade		Services		Manufactures	
	1972	1977	1972	1977	1972	1977	1972	1977
Northwest region								
Panama City	(NA)	0.9	(NA)	1.3	(NA)	1.1	(NA)	1.0
Pensacola	2.3	2.2	3.2	2.8	2.5	2.3	1.7	1.7
Tallahassee	1.4	1.3	1.6	1.4	1.5	1.6	1.0	1.0
Northeast region								
Gainesville	1.1	1.1	1.5	1.4	1.2	1.5	1.0	1.0
Jacksonville	9.7	8.7	8.6	7.2	7.2	6.6	7.2	6.6
Central region								
Daytona Beach	1.5	1.6	3.3	3.1	3.0	3.0	2.1	2.1
Orlando	8.5	8.3	7.1	6.6	6.5	6.8	6.1	6.7
Melbourne-Titusville-Cocoa	1.5	1.6	3.3	2.7	2.5	2.4	2.0	2.4
Southeast region								
Ft. Lauderdale-Hollywood	8.7	10.6	10.6	11.0	11.1	12.0	10.8	12.0
Miami	26.9	27.8	19.4	16.7	21.7	19.8	28.1	27.6
West Palm Beach-Boca Raton	4.6	4.4	6.1	5.6	5.8	6.1	4.1	4.6
Southwest region								
Bradenton	(NA)	0.8	(NA)	1.4	(NA)	1.4	(NA)	1.1
Ft. Myers-Cape Coral	1.5	1.6	2.0	2.4	1.8	2.2	1.3	1.6
Lakeland-Winter Haven	3.1	2.8	3.6	3.2	2.9	2.8	3.0	2.8
Sarasota	1.5	1.6	2.4	2.5	2.7	2.8	2.3	2.2
Tampa-St. Petersburg	15.3	15.0	16.2	14.9	15.6	15.4	14.2	14.2

Services

The services industry sector follows basically the same pattern as wholesale and retail trade.

The southeast region contained the greatest proportion of the state's service firms: 38.6 percent in 1972 and 37.9 percent in 1977. Miami was the only SMSA experiencing a decline, with a decrease of two percentage points.

The southwest region experienced the greatest increase in the services sector, with 23 percent of the state total in 1972 and 24.6 percent in 1977. The largest SMSA in this region, Tampa-St. Petersburg, remained about constant.

The central region was almost unchanged. Orlando's slight gain from 6.5 to 6.8 percent was almost offset by a decrease in the Melbourne-Titusville-Cocoa SMSA. The region's share grew from 12.0 to 12.2 percent in the five-year period.

The northeast region was the only one besides the southeast to show a net loss. The Jacksonville SMSA share decreased from 7.2 to 6.6 percent while Gainesville's rose to 1.5 percent.

The northwest region's share grew a full percentage point, but the region still claimed only 5 percent of the state's service firms in 1977.

Manufacturing

The southeast region leads in number of firms in this sector, with 44.2 percent of all the state's manufacturing located there in 1977. This increase of 1.2 percentage points over 1972 is the largest in any region. The Miami SMSA again showed a decrease, from 28.1 to 27.6 percent.

The southwest region, in second place, contained 21.9 percent of the state's manufacturing firms in 1977, up 0.9 points from the 1972 figure of 20.8 percent.

The central region contained 10.2 percent of the state's manufacturing firms in 1972 and 11.2 percent in 1977. In this sector the Orlando SMSA experienced its greatest gain of 0.6 points to 6.7 percent. Daytona Beach was the only SMSA in this region which did not gain. It held constant at 2.1 percent.

The only region showing a negative change in manufacturing was the northeast, which dropped from 8.2 percent in 1972 to 7.6 percent of the state total in 1977 as the Jackson-

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ville SMSA went from 7.2 percent to 6.6 percent.

The smallest number of manufacturing firms was located in the northwest region, which went up one percentage point to 3.7 percent in 1977. This was due to the formation of the new Panama City SMSA rather than growth within the SMSAs already existing in the region.

Table 1 shows that the ranking of the five regions remained constant across the four industrial sectors from 1972 to 1977. In each case the southeast was first, with the Miami SMSA making up by far the largest proportion even though its percentages decreased in each sector. Since these were not actual decreases in numbers of firms, the figures suggest that Miami may not be growing as rapidly as other SMSAs in the same region or in other regions.

The same holds true for the Jacksonville SMSA in the northeast. In fact, in almost every case, the largest SMSA in each region experienced decreases in its share in every sector, seeming to indicate a movement away from the most populous areas.

Another indicator of business and population movement was the creation of two new SMSAs during the period from 1972 to 1977. These new areas, Panama City in the northwest and Bradenton in the southwest, accounted for most of the gains experienced in those regions.

It should be noted that the number of firms decreased in only two SMSAs and in only one sector. Since the larger SMSAs experienced decreases in the percentage of the state's firms located within their boundaries, they must be growing at a slower rate than the less populous areas surrounding them. Growth rates of the central cities in the SMSAs and of the suburban areas are compared below.

Movement within SMSAs

Central cities are those which contained a major portion of an SMSA's population according to the 1940 census. In comparing growth in the number of firms in the central cities to that in the suburban areas, the Jacksonville SMSA was omitted because of incorporation of all of Duval County into the City of Jacksonville.

Figures cited are percentages of the total number of establishments in the SMSA. Suburban areas will be considered those areas outside the central cities, whether incorporated or not, yet within the boundaries of the SMSA.

Wholesale trade

The greatest movement to suburban areas came in this sector, with twelve of the fifteen SMSAs experiencing a faster rate of suburban rather than urban growth.

The greatest suburban growth was in Pensacola, where the percentage jumped from 33.5 percent of this SMSA's wholesale firms in 1967 to more than 56 percent in 1977. The suburban share of wholesale trade in the Orlando and Ft. Lauderdale-Hollywood SMSAs increased twenty to twenty-one percentage points and also increased in Miami and Tampa-St. Petersburg.

Those SMSAs showing the greatest industrial movement to the suburbs are generally the most populous, with older central cities. Firms are relocating or expanding away from the concentrated cities and following population movements to newer, less dense areas.

Only three SMSAs experienced more rapid urban growth from 1967 to 1977: Lakeland-Winter Haven, Melbourne-Titusville-Cocoa, and Panama City.

Retail trade

Although the changes were not as great as those in the wholesale sector, eleven SMSAs recorded faster suburban than urban growth in retail trade. Ft. Lauderdale-Hollywood and Orlando suburbs both increased sixteen percentage points to 52.2 and 55.4 percent, respectively. The Tampa-St. Petersburg suburban share climbed to 45.3 percent and the Ft. Myers, to 54.1 percent. The Panama City and Gainesville SMSAs showed the least change. The greatest decrease occurred in the Lakeland-Winter Haven SMSA, where the percentage of firms lying in suburban areas dropped nine percentage points to 30.5.

Services

Services is the only sector showing approximately even growth overall, with eight SMSAs recording faster suburban growth and seven showing faster urban growth.

Table 2.—Numbers of urban industries and percentages of industries in suburban areas of each SMSA, 1967 and 1977

	Retail trade				Wholesale trade				Services			
	Suburban firms as a percentage of total firms		Urban firms (number)		Suburban firms as a percentage of total firms		Urban firms (number)		Suburban firms as a percentage of total firms		Urban firms (number)	
SMSA	1967	1977	1967	1977	1967	1977	1967	1977	1967	1977	1967	1977
Bradenton	46.2	44.4	467	617	25.6	32.0	67	87	38.6	35.2	394	721
Daytona Beach	35.0	45.1	1,239	1,417	37.6	41.8	108	139	42.9	48.3	946	1,259
Ft. Lauderdale-Hollywood	36.2	52.2	3,172	4,314	30.0	50.0	433	814	35.8	48.0	2,906	5,109
Ft. Myers-Cape Coral	42.6	54.1	556	888	28.8	34.6	104	161	48.3	57.9	439	738
Gainesville	31.4	31.2	590	796	15.7	23.4	91	128	28.6	20.9	360	950
Jacksonville	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)
Lakeland-Winter Haven	39.7	30.5	1,280	1,826	41.2	34.3	193	287	37.9	26.8	922	1,669
Melbourne-Titusville-Cocoa	53.9	49.3	780	1,123	50.6	42.9	77	137	57.2	50.3	532	967
Miami	38.7	46.1	6,327	7,403	34.2	48.4	1,681	2,209	38.1	43.6	5,924	9,139
Orlando	39.5	55.4	2,163	2,423	25.8	46.8	621	682	45.1	53.0	1,480	2,624
Panama City	32.5	33.0	537	691	15.5	14.2	82	115	43.4	33.0	357	596
Pensacola	60.0	68.8	713	714	33.5	56.4	143	147	55.1	67.2	532	626
Sarasota	41.6	46.0	739	1,110	27.5	30.0	103	168	46.0	38.0	708	1,437
Tallahassee	22.7	29.5	589	803	15.8	21.8	128	154	24.5	23.5	453	1,028
Tampa-St. Petersburg	33.7	45.3	5,993	6,686	15.7	34.0	1,285	1,522	34.1	44.5	4,942	6,975
West Palm Beach-Boca Raton	30.8	42.7	2,318	2,825	31.3	39.4	281	408	31.1	40.2	1,787	2,997

Note: Comparable data for manufacturing industries will not be available until the U.S. Department of Commerce releases the final 1977 Census of Manufactures.

Sources: U.S. Department of Commerce, 1967 and 1977 Census of Retail Trade, Census of Wholesale Trade, Census of Service Industries.

Pensacola experienced one of the greatest increases in suburban growth and has by far the greatest percentage of service firms located outside the central city. The Orlando and Ft. Lauderdale-Hollywood SMSAs also showed a gain in suburban services.

Again, movement to or faster growth in the suburban areas occurred mostly in the SMSAs with older, denser central cities such as Ft. Lauderdale-Hollywood, West Palm Beach-Boca Raton, Orlando, Pensacola, and Tampa-St. Petersburg.

The greatest decreases in suburban growth of services firms were recorded for the Panama City and Lakeland-Winter Haven SMSAs. Sarasota and Gainesville also dropped. Of those SMSAs experiencing faster urban growth, Melbourne-Titusville-Cocoa has the highest concentration (50.3 percent) of service firms in suburban areas.

Patterns of movement within SMSAs seem to be fairly uniform. As populations grow and move away from the inner cities to the suburbs, businesses of all kinds seem to follow.

This is not to say that the number of establishments in the central cities is decreasing. In every case the number of firms in the urban areas grew between 1972 and 1977. For services there was a 62 percent increase in the number of urban firms, from under 23,000 to almost 37,000. The wholesale sector recorded a growth of urban firms of 32.6 percent to more than 7,000. For the retail sector the increase was 22.5 percent to well over 33,000.

Even with this impressive urban growth, however, not one of the three sectors has more urban than suburban firms. The percentages of the state's wholesale, retail, and services firms located in urban areas of SMSAs are 46.5, 40.9 and 45.1, respectively. Table 2 shows a breakdown of the figures for the three sectors.

This movement of populations and businesses will be interesting to follow in the years to come. With fuel prices soaring and inflation taking its toll on the dollar, it would seem that this decentralization process may come to a halt and possibly even reverse.

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MANUFACTURING, SERVICES PACING GROWTH IN SMALL BUSINESS

Ann C. Pierce

Managing Editor
Dimensions

Determining changes in the small business picture in Florida, or any other state, is a difficult exercise at best. No detailed statistics exist on a state level and neither do uniform definitions of just what constitutes a small business.

As the 1977 annual report of the federal Small Business Administration (SBA) noted, "Measures of small business performance in the U.S. economy are crude approximations because of deficiencies in statistical information on the economic activities of this sector. . . . The number of small businesses in the U.S. varies in accordance with different definitions used by different interest groups."

Both the problems of statistical information and uniform definitions may be remedied by the time of the next national economic census, in 1982. The SBA is working on a new set of definitions based on the number of employees in each type of industry or business, and the Division of Economic Research in Washington has the hardware ready to begin developing a national data base on small business.

Meanwhile, growth or decline in small business in Florida can be traced only within the limits of the size breakdowns used by the U.S. Department of Commerce in its recently released economic census figures for 1977 as compared with its figures for 1972. For retail sales and for services, the censuses show separate figures only for the numbers of unincorporated establishments, or sole proprietorships and partnerships, which are defined as small businesses. For manufacturing industries, the censuses list all establishments and those with twenty employees or more. Subtracting out the larger firms, totals can be found for small companies.

National spokesmen have bewailed the state of American small business in recent years. In its 1978 annual report, the SBA noted that "The relative position of small business in our economy is declining at an alarming rate" while at the same time "the economy's reliance on small business is growing rapidly."

Retail growth slower

In Florida, the numbers of small services and manufacturing establishments increased more than the total numbers in those sectors did. However, for retail trade the reverse was true. The total number of services establishments selected for the census rose from 69,394 in 1972 to 81,761 in 1977, an increase of 17.8 percent. The census listing of small services establishments (sole proprietorships and partnerships) showed an increase from 49,539 to 61,744, or 24.6 percent. In manufacturing, total numbers were up 20.3 percent (from 10,276 to 12,366), while the number of manufacturers employing fewer than twenty persons increased 28.1 percent (from 7,381 to 9,457). In retail trade, total numbers were up 16.0 percent (70,898 to 82,251) but sole proprietorships and partnerships increased only 9.1 percent (40,446 to 44,126).

Growth in the number of small services and manufacturing establishments outpaced population growth in thirteen of the state's sixteen Standard Metropolitan Statistical Areas (SMSAs) between 1972 and 1977. The number of small retail trade establishments increased more slowly than population in most of the state, but still showed positive growth over the five-year period in all but the two largest SMSAs—Jacksonville and Miami.

Table 1.—Percentage changes in numbers of small businesses and in population by SMSA, 1972-77

	Services	Retail trade	Manufactures	Population
Bradenton	36.7	9.6	31.8	21.7
Daytona Beach	27.8	14.8	20.0	19.1
Ft. Lauderdale-Hollywood	31.4	13.3	40.7	24.9
Ft. Myers-Cape Coral	47.1	40.4	54.0	39.2
Gainesville	53.3	26.3	40.0	15.5
Jacksonville	14.9	-2.7	13.1	5.2
Lakeland-Winter Haven	25.5	4.8	9.9	12.3
Melbourne-Titusville-Cocoa	19.4	2.5	47.8	5.8
Miami	10.1	-3.1	29.1	9.4
Orlando	32.3	2.7	45.4	10.4
Panama City	25.1	4.3	-2.6	18.2
Pensacola	17.8	9.7	25.0	7.2
Sarasota	31.7	25.2	23.0	27.1
Tallahassee	48.1	6.3	30.8	17.7
Tampa-St. Petersburg	21.4	4.9	31.0	14.9
West Palm Beach-Boca Raton	33.2	14.4	40.2	29.5

Sources: Percentages computed from data in 1972 and 1977 Census of Service Industries, Census of Retail Trade and Census of Manufactures, U.S. Department of Commerce; and from Florida Estimates of Population, July 1, 1972, and July 1, 1977, Bureau of Economic and Business Research, University of Florida.

Population centers and small business

Fort Myers, which at 39.2 percent had the greatest population increase in the five-year period, also topped the SMSAs in percentage increases in numbers of small retail trade and manufacturing establishments. (See Table 1.) It was third in percentage increase in numbers of small services establishments. Jacksonville had the lowest population growth, 5.2 percent, and a negative change in small retail trade establishments between 1972 and 1977. Its numbers of small services and manufacturing industries increased, but at a low rate.

Melbourne-Titusville-Cocoa was next lowest in population growth, 5.8 percent, but second highest in growth in numbers of small manufacturers. It had a moderate increase in numbers of small services establishments and a small, but still positive, change in retail trade numbers. West Palm Beach, with the second highest increase in population, showed moderate increases across the board in small businesses.

Miami's population grew 9.4 percent, but its growth in numbers of small services establishments was the lowest of the SMSAs, 10.1 percent, while it registered a negative change of 3.1 percent in retail trade establishments. Small manufacturing industries there increased by a healthy 29.1 percent.

Table 2 shows changes in small business in selected counties.

Services

Out of 81,761 services establishments counted in Florida in the 1977 census, 76 percent, or 61,744, were listed as sole proprietorships or partnerships. Receipts, magnified by inflation, increased 94.1 percent for all miscellaneous repair services while the total number of these establishments went up only 18.0 percent. Business service receipts went up 90.8 percent, legal services receipts up 88.6 percent and auto repair and garage receipts up 85.0 percent. Next in descending order were dental laboratories; amusements and recreational facilities; engineering, architectural and surveying firms; hotels and motels; and personal services.

The largest gain in the number of small services establishments was posted in the Gainesville SMSA, with a 53.3 percent increase. Tallahassee showed a 48.1 percent increase and Fort Myers, 47.1 percent. Miami had the lowest increase in the number of small services businesses, 10.1 percent. The state's other primary metropolitan area, Jacksonville, was second lowest with a 14.9 percent increase in the five years.

Sectors within the services industry showing the greatest increase in numbers of small establishments in SMSAs were dental labs, auto repair and garages, amusements and recreation, legal services and business services. Hotels and motels decreased in total number in eleven of the sixteen SMSAs.

Retail sales

The leader in growth in the numbers of small retail sales establishments between 1972 and 1977 was the Fort Myers SMSA, with an increase of 40.4 percent. Gainesville was second with a 26.3 percent increase and Sarasota third, with 25.2 percent. In the negative column once again were Miami (-3.1 percent) and Jacksonville (-2.7 percent).

The biggest statewide increase in retail sales receipts for both large and small establishments was posted by eating and

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Table 2.—Numbers of small businesses and percentage changes in selected counties, 1972 and 1977

	Services (number of unincorp. businesses)			Manufactures (number of establishments with fewer than 20 employees)			Retail trade (number of unincorp. businesses)		
	1972	1977	% change	1972	1977	% change	1972	1977	% change
FLORIDA	49,539	61,744	24.6	7,381	9,457	28.1	40,446	44,126	9.1
Alachua	645	989	53.3	65	91	40.0	502	634	26.3
Bay	589	737	25.1	77	75	-2.6	590	647	9.7
Brevard	1,244	1,485	19.4	157	232	47.8	1,183	1,213	2.5
Broward	5,281	6,937	31.4	860	1,210	40.7	3,593	4,070	13.3
Collier	456	706	54.8	42	66	57.1	361	536	48.5
Dade	9,981	10,987	10.1	1,953	2,522	29.1	6,320	6,127	-3.1
Duval	2,923	3,244	11.0	372	451	21.2	2,578	2,378	-7.8
Escambia	1,088	1,260	15.8	109	136	24.8	1,036	1,060	2.3
Hillsborough	3,298	3,902	18.3	437	553	26.5	2,785	2,759	-0.9
Indian River	279	376	34.8	30	36	20.0	269	294	9.3
Lake	482	643	33.4	77	75	-2.6	535	622	16.3
Lee	973	1,431	47.1	102	157	54.0	847	1,189	40.4
Leon	660	990	50.0	71	102	43.7	480	516	7.5
Manatee	671	917	36.7	85	112	31.8	604	640	6.0
Marion	551	790	43.4	82	107	30.5	528	648	22.7
Okaloosa	501	690	37.7	44	62	41.0	505	589	16.6
Orange	2,362	2,956	25.1	336	438	30.4	2,102	2,027	-3.6
Palm Beach	2,849	3,794	33.2	323	453	40.2	2,104	2,406	14.4
Pinellas	4,146	4,952	19.4	509	689	35.4	2,998	3,187	6.3
Polk	1,492	1,872	25.5	191	210	10.0	1,410	1,477	4.8
St. Lucie	350	443	26.6	36	48	33.3	314	385	22.6
Sarasota	1,369	1,803	31.7	183	225	23.0	888	1,112	25.2
Seminole	540	913	69.1	75	157	109.3	526	666	26.6
Volusia	1,522	1,935	27.1	170	204	20.0	1,365	1,567	14.8

Sources: U.S. Department of Commerce, 1972 and 1977 Census of Service Industries, Census of Manufactures, Census of Retail Trade.

drinking places, at 85.7 percent. The total number of these outlets increased only 8.5 percent, however. Gasoline sales were up 76.5 percent but the total number of stations decreased by 20.8 percent, from 9,199 to 7,287. Food store receipts were up 74.9 percent but the total number increased only 9.3 percent.

Other retail sales receipts increases were miscellaneous retail stores (69.0 percent), auto dealers (57.1 percent), drug stores (56.0 percent), apparel and accessories (49.9 percent), general merchandise (49.5 percent), furniture (44.3 percent) and building materials (31.4 percent).

The largest gain in numbers of small establishments was posted by building materials in eleven SMSAs. Auto dealers and furniture stores were also near the top of the list. On the minus side were numbers of gasoline stations, down in fourteen SMSAs in 1977 compared to 1972. General merchandise stores also posted widespread decreases and the number of drug stores went down in seven SMSAs.

Manufactures

Only Panama City, of all the SMSAs, registered a decrease in the number of small manufacturing firms between 1972 and 1977. Fort Myers led the group with a 54.0 percent increase, followed by Melbourne (47.8 percent) and Orlando (45.4 percent). Miami and Jacksonville, which lagged in the numbers of small retail and services establishments, showed gains of 29.1 and 13.1 percent, respectively, in numbers of small manufacturers.

Among the small manufacturing industries included in the census, the greatest increases in numbers were posted by paper and allied products (up 66.0 percent), electric and electronic equipment (up 62.6 percent), instruments (61.2 percent) and textile mill products (57.4 percent).

The only manufacturing sector showing a decrease in number of establishments between 1972 and 1977 was food and kindred products, which declined from 463 to 457 establishments, or -1.3 percent.

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Free Help Available for Small Businesses

Greg Kerber
Editorial Assistant
Dimensions

Small business entrepreneurs in Florida have access to a network of advisory centers in universities around the state which offer free help with the problems of establishing and maintaining small businesses.

The University of West Florida in Pensacola pioneered a free consulting program as a community service for its ten-county area in 1972. That same year, it and the universities of Miami and South Florida were selected by the federal Small Business Administration (SBA) to begin student-consultant programs to assist the small business community. Since then, North Florida, Central Florida, Florida Atlantic, Florida International and Florida State universities have joined the effort, delivering management assistance and counseling to small businesses which could not normally afford professional consulting services.

Allan Cowart, director of the pioneer West Florida program, is also coordinator for the state Small Business Development Centers (SBDCs) set up following federal legislation authorizing states to obtain SBA grants to assist small businesses through such university centers. The nine centers include those at all the universities listed above plus Florida A&M in Tallahassee.

The University of West Florida was one of eight pilot centers around the country selected by the SBA to test the expanded program intended to slow the high failure rate of small business, assist those about to enter the marketplace, expand the small business sector, stimulate competition, and aid in healthy development and growth.

Included in the SBDC program is consulting on matters which involve manufacturing, technology development, domestic and international marketing, sales, finance, sound recordkeeping practices, planning, strategy development, personnel administration, government regulatory compliance, and other business-related areas.

Cowart says, "We have great autonomy in our centers statewide because even though the problems are similar, the routes to assistance are different."

He estimates total licensed businesses in the state at more than 394,000, including professional offices. Between September, 1979, and July, 1980, the number of certified public accountants in Florida increased almost 33 percent, to 9,344; the number of attorneys went up 17.6 percent, to 20,455; the number of physicians rose 15.4 percent, to 30,005. In the same period, the number of farmers declined 9 percent, to 35,000, and dentists, numbering approximately 6,550, registered no gain. Licensed contractors, including some 7,000 certified and registered contractors, increased their numbers 21.9 percent, to 46,762.

The stated purpose of the UWF Small Business Development Center is to provide program and services to independent businesses in order to:

- assist in developing the economy in a ten-county area of northwest Florida;
- increase the probability of success for new business ventures;
- promote their orderly growth; and
- develop a strong scholastic program to insure long-range economic stability for the student who selects independent business as a preferred livelihood.

According to Cowart, "We try to keep small businesses from failing—the businesses that cannot afford professional consultants. We try to help people enter business on a scientific basis, not an emotional one."

A U. S. House of Representatives Small Business Committee report noted that between April, 1977, and September, 1978, the UWF center provided one-time counseling to more than 1,400 clients; provided in-depth counseling (ten weeks or more) to more than 150 clients; conducted more than 150 training sessions; operated six outreach centers in the ten-county area; developed a thirteen-week small business management television series; set up a mini-library system; and conducted follow-up telephone surveys on each client from three to six months after counseling.

As of this fall, the UWF operation has served more than 42,000 clients with more than 198,000 hours of management assistance.

Cowart, a former small businessman himself, says, "The problems are almost always a lack of good management," such as lack of knowledge in the line, inadequate financing, and too low a cash flow. "What we do is in total confidence—the same basis as an attorney and his client or an MD and his patient. The main thrust of the development centers is delivering needed services until a small businessman graduates to a professional business consultant."

The Center has its hands full helping business people with day-to-day problems, according to Cowart, who says, "We depend upon other resources to provide a data base for much of our analytical effort. Our work must not duplicate that of others. We know that the small business community is growing, what with one thousand permanent residents arriving daily. As to the failure rate, there are national estimates published but none specifically for Florida. Our goal is to make available a practical resource for the smaller businessperson who is perceptive and motivated enough to take advantage of it."

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Introgram

Readers of *Business and Economic Dimensions* are being treated this quarter to a very special report. Several members of the faculty of the Department of Health Services Administration have worked together to prepare a description and analysis of some aspects of the economics of health care in Florida. This department, located in the College of Health Related Professions, provides a specialized course of study in the MBA program of the College of Business Administration. Graduates of the Health Services Administration program hold a variety of executive positions in hospital and other health services organizations throughout the United States.

Anyone with even a minimal knowledge of current economic trends is well aware of the increasing importance of the major topic. From 1974 to 1979 employment in health services in Florida grew from 128,600 to 185,800, a rise of almost 45 percent. Prices for medical care have been increasing at a rate of from 9 to 10 percent per year. The annual cost of medical care for a four-person family with an intermediate budget was $1,021 in U.S. urban areas in 1979 compared to $822 in 1975.

The series begins with an overview of the basic economic aspects of the delivery of health services in Florida by Barry R. Greene. Carl G. Homer and R. Paul Duncan follow with a plea for greater devotion of resources to the prevention of disease as contrasted with the treatment of acute illnesses. Their analysis draws from the State of Florida Health Plan.

Two members of the departmental faculty, John P. Schmitt and Carl G. Homer, seek explanations for rising health costs and offer numerous suggestions for alleviating the problem.

One of their suggestions is the development of Health Maintenance Organizations. We are indebted to A. S. Arnold of the University of Notre Dame for a more complete analysis of this type of organization and its potential value as a device for both controlling costs and improving health care. This is the only article not provided by members of the University of Florida faculty in Health Services Administration.

Efforts of government, particularly state government, to attack the problem of health care costs by cost containment legislation are reviewed by John P. Schmitt of the faculty and John A. Bradley of Price Waterhouse and Company. Following this is a report by John Champion on the particular problems involving care of the handicapped and disabled. The Work of CARF, a private nonprofit organization that accredits rehabilitation facilities, is described.

The increased cost of health care for another specific group—the elderly—is due to the twin factors of inmigration of such persons to Florida and the increasing life expectancy for them and those senior citizens already here. These are comments included in the article by Fred E. West.

A look ahead toward the trends likely to take place during the next two decades is taken by R. Paul Duncan and Lee A. Crandall and concludes this issue.

Your editors hope that this larger and more comprehensive treatment of one topic regarding the economy of Florida will set the pace for similar issues in the future.

Ralph B. Thompson
Editor

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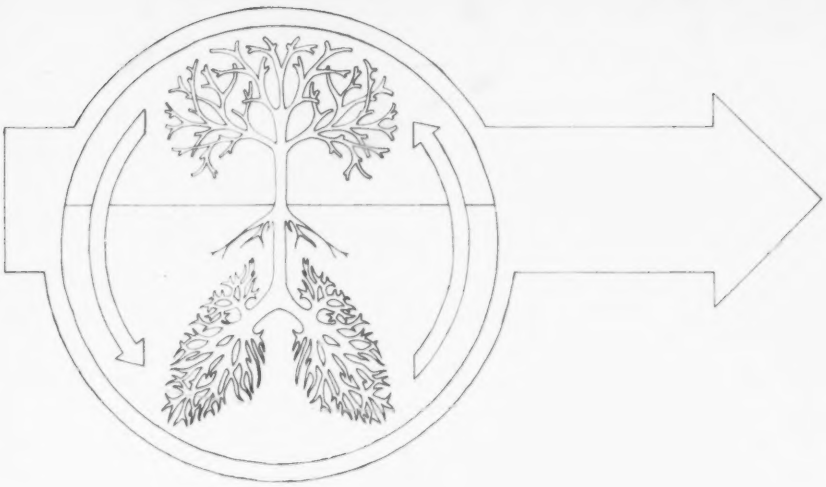

Improving health services through quality management education and health services research

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Overview

The series of articles in this *Dimensions* examines selected aspects of the delivery of health services in Florida. The topics are limited to how and to whom health services are provided and the effort to contain hospital costs. In addition, an attempt is made to analyze future planning and policy issues in the health services field.

Because of the economic focus of *Dimensions*, other important aspects of health services such as quality assessment, program evaluation and conceptual issues in defining health and disease will not be discussed in detail. These are, however, important issues because improved health is the ultimate objective of all health service providers. Given the increasing awareness of the social, psychological, and economic determinants of health, we must qualify the discussion in this issue with the fact that the provision of health services is but one factor in improvement of the health status of the population.

Two additional observations illustrate the complexity and urgency of the social/political and economic decisions which must be addressed by federal, state and local health service policymakers, health service managers and of course the general population. The first observation was stated clearly by Kerr White in a 1973 *Scientific American* article and is graphically illustrated in Figure 1. Major disease categories are considered according to the extent of their impact on disability, hospital admissions and cause of death. It should be obvious from this chart that quite different health services are required for each of these categories. Given the different resources and services necessary to reduce discomfort, disease, disability and death, how do we make the best and fairest use of finite resources?

A second observation was provided by H. Hiatt, dean of the School of Public Health at Harvard, in a 1975 article in the *New England Journal of Medicine:* If in 1974 we had followed the advice of one of the strongest proponents of coronary-artery bypass graft operations, we would have spent over $100 billion on such surgery alone! In 1975, $119 billion was spent on all health services combined.

Recently, projections of national health expenditures were developed by type of

Figure 1.—Impact of disease categories on activity, hospital admissions and deaths

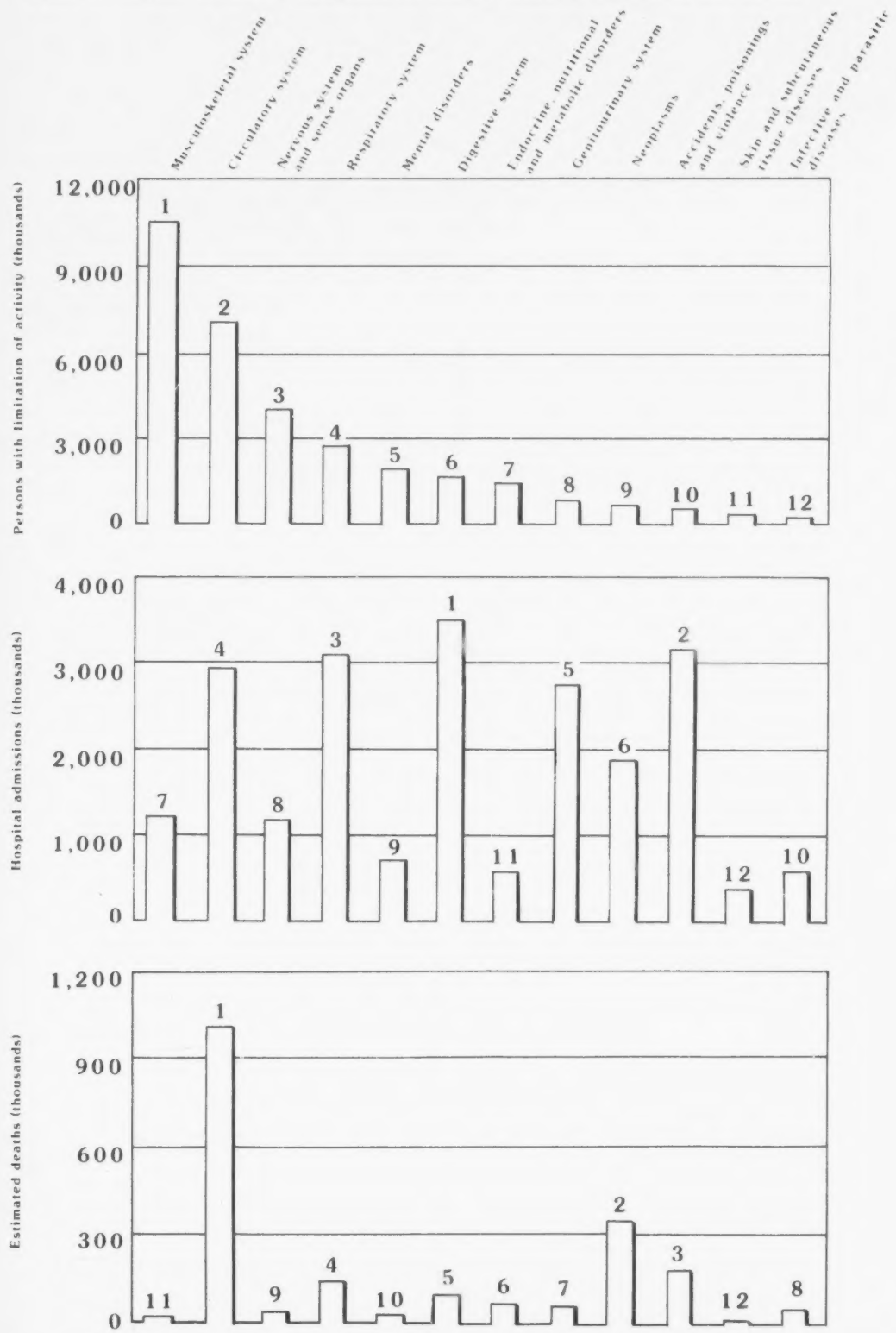


Table 1.—Aggregate and per capita amounts and percentage distribution of national health expenditures by type of expenditure, selected calendar years, 1965-1990

Type of expenditure	Historical[1]				Projected		
	1965	1970	1975	1978	1980	1985	1990
	Aggregate amount (in billions of dollars)						
Total	43.0	74.7	131.5	192.4	244.6	438.2	757.9
Health services and supplies	39.5	69.4	123.2	183.0	234.1	422.7	735.5
Personal health care expenses	37.3	65.7	116.3	167.9	215.5	389.1	676.3
Hospital care	13.9	27.8	52.1	76.0	97.3	182.8	334.6
Physicials' services	8.5	14.3	24.9	35.3	45.0	78.2	128.8
Dentists' services	2.8	4.8	8.2	13.3	17.9	33.9	59.4
Other professional services	1.0	1.6	2.6	4.3	5.7	10.1	16.7
Drugs and drug sundries	5.8	8.4	11.8	15.1	18.1	27.0	38.9
Eyeglasses and appliances	1.9	2.1	3.0	3.9	4.7	7.1	10.2
Nursing home care	2.1	4.7	9.9	15.8	21.6	42.0	75.6
Other health services	1.3	2.1	3.7	4.3	5.2	8.1	12.2
Expenses for prepayment and administration	1.5	2.3	3.7	10.0	11.6	19.6	33.5
Government public health activities	0.8	1.4	3.2	5.1	7.0	14.0	25.6
Research and medical-facilities construction	3.5	5.3	8.3	9.4	10.5	15.5	22.4
Research	1.5	1.9	3.2	4.9	5.2	8.3	12.3
Construction	2.0	3.4	5.1	5.2	5.3	7.2	10.1
	Per capita amounts (in dollars)[2]						
Total	217.41	358.63	604.57	863.01	1,078.00	1,846.00	3,057.00
Health services and supplies	199.91	333.25	566.61	820.68	1,032.00	1,781.00	2,967.00
Personal health care expenses	188.41	315.37	534.82	752.98	950.00	1,639.00	2,728.00
Hospital care	70.46	133.39	239.77	340.93	429.00	770.00	1,350.00
Physicians' services	42.84	68.81	114.66	158.08	198.00	329.00	520.00
Dentists' services	14.20	22.79	37.88	59.64	79.00	143.00	240.00
Other professional services	5.22	7.65	12.04	19.17	25.00	43.00	67.00
Drugs and drug sundries	29.18	40.34	54.32	67.71	80.00	114.00	157.00
Eyeglasses and appliances	9.43	10.08	13.71	17.40	21.00	30.00	41.00
Nursing home care	10.48	22.44	45.46	70.63	95.00	177.00	305.00
Other health services	6.60	9.88	16.97	19.43	23.00	34.00	49.00
Expenses for prepayment and administration	7.33	10.97	17.09	44.94	51.00	83.00	135.00
Government public health activities	4.16	6.91	14.71	22.75	31.00	59.00	103.00
Research and medical-facilities construction	17.51	25.38	37.96	42.33	46.00	65.00	91.00
Research	7.40	8.93	14.65	19.22	23.00	35.00	50.00
Construction	10.11	16.45	23.31	23.11	23.00	30.00	41.00
	Percentage distribution						
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Health services and supplies	91.9	92.9	93.7	95.1	95.7	96.5	97.0
Personal health care expenses	86.7	87.9	88.5	87.3	88.1	88.8	89.2
Hospital care	32.4	37.2	39.7	39.5	39.8	41.7	44.1
Physicians' services	19.7	19.2	19.0	18.3	18.4	17.8	17.0
Dentists' services	6.5	6.4	6.3	6.9	7.3	7.7	7.8
Other professional services	2.4	2.1	2.0	2.2	2.3	2.3	2.2
Drugs and drug sundries	13.4	11.2	9.0	7.8	7.4	6.2	5.1
Eyeglasses and appliances	4.3	2.8	2.3	2.0	1.9	1.6	1.3
Nursing home care	4.8	6.3	7.5	8.2	8.8	9.6	10.0
Other health services	3.0	2.8	2.8	2.3	2.1	1.8	1.6
Expenses for prepayment and administration	3.4	3.1	2.8	5.2	4.8	4.5	4.4
Government public health activities	1.9	1.9	2.4	2.6	2.9	3.2	3.4
Research and medical-facilities construction	8.1	7.1	6.3	4.9	4.3	3.5	2.9
Research	3.4	2.5	2.4	2.2	2.1	1.9	1.6
Construction	4.7	4.6	3.9	2.7	2.2	1.6	1.3

[1]Expenditures for 1965-1978 are reported in Robert M. Gibson "National Health Expenditures, 1978," Health Care Financing Review, Summer, 1979, pp. 1-36.
[2]Per capita amounts in projections are rounded to nearest dollar.
Source: Health Care Financing Review, Winter, 1980.

expenditure and sources of funds for 1980, 1985, and 1990 (see Table 1). The projections provide a baseline for health care expenditures in the absence of national health insurance and cost containment. These expenditures are expected to reach $440 billion in 1985 and $760 billion in 1990 (10.5 and 11.5 percent of Gross National Product, respectively).

Better health service management through improved management education and the development of health services research is an essential, and perhaps the most effective, way to control cost increases and move toward improvement of the quality of health services.

Health services administrator education

In 1975 the Commission on Education for Health Administration defined the practice of health administration as follows: "Health administration is planning, organizing, directing, controlling, and evaluating the resources and procedures by which needs and demands for health and medical care and a healthful environment are fulfilled, by the provision of specific services to individual clients, organizations, and communities...." The commission strongly encourages those with responsibility for carrying out the health administration process to assume a leadership role, particularly in the areas of the health and medical care system designated as needing increased and improved organizational and administrative activity.

Relatively little attention is given to the development of a rational health manpower plan in administration in spite of the fact that health services management plays a central role in determining the cost, quality, availability and accessability of health services. In 1978, there were 5,985 applicants to the thirty-six accredited graduate programs in health services administration in the United States. Of these applicants, 1,635 (27.3 percent) were accepted. Although the number of graduate programs in health services administration has increased by 900 percent since 1970, it still seems clear that the demand for education in the field exceeds the currently available supply.

Programs in health services administration (which began with narrowly focused vocational emphases in hospital administration) have evolved into academic departments of social science faculties with diverse interdisciplinary educational programs and research agendas. A survey of 1,013 (68 percent) of the master's degree graduates of 1979 indicated that half of them accepted positions in hospital administration. The remaining 50 percent accepted positions in nonhospital settings such as health maintenance organizations, all levels of government, mental health/mental retardation programs and in various associations such as the American Hospital Association and the American Medical Association. It is significant that 78 percent of those surveyed took a job that was their first choice and averaged about three job offers per graduate (Source: The Association of University Programs in Health Administration, Washington, D.C., 1980).

Table 2.—Enrollment in master's degree programs in health administration by major emphasis

	First-year students			Second-year students		
	1979	1978	1977[1]	1979	1978	1977[1]
UNITED STATES						
Major emphasis:						
Administrative medicine	---	---	---	---	13	---
Ambulatory care administration	4	21	7	6	22	76
Comprehensive health planning	136	107	85	223	79	73
Financial management	27	46	4	21	22	52
Health policy and evaluation/ administration	81	176	---	273	128	---
Health records	---	---	---	---	---	3
Health services administration/ management/organization	1,360	1,536	792	1,765	1,814	687
Hospital administration	209	249	310	260	230	324
Hospital and health administration	500	453	227	535	331	262
Long-term care administration	21	22	13	5	14	9
Medical care administration	22	8	---	21	11	40
Mental health administration	6	12	10	6	19	10
Nursing services administration	---	---	14	---	---	---
Personnel/manpower administration	---	10	6	---	12	35
Systems engineering	2	11	4	2	6	---
CANADA						
Major emphasis:						
Health administration	---	87	71	---	103	86
Health planning	13	---	---	40	---	---
Health services administration/ management/organization	85	---	---	104	---	---
Hospital administration	---	13	---	---	12	33
Nursing services administration	1	2	3	5	3	1
Social administration	---	---	---	---	3	2
Total	2,467	2,753	2,185	3,266	2,822	2,088

[1]Number in major emphasis categories may not add to reported totals due to incomplete program responses.

Source: Association of University Programs in Health Administration, 1980.

In 1975, the Commission on Education for Health Administration estimated that fewer than 25 percent of the executive positions in the health and medical care systems are filled by individuals having formal entry-level education in health administration. More recently, the U.S. Department of Labor has predicted that we will need 230,000 health administrators by 1985. Present graduates of master's degree programs in health services administration number about 5,000 annually in the United States and Canada combined (see Table 2). The shortages are particularly noticeable in nursing homes, rural hospitals, home health agencies and the field of mental health administration.

The University of Florida's Graduate Program in Health and Hospital Administration is one of the few programs in the United States which is jointly sponsored by a College of Business Administration and College of Health-Related Professions (see Table 3). The UF program is multidisciplinary, drawing on management, finance, and economic theory with an emphasis on developing business decision-making abilities. As a result, it has a particularly strong potential for providing the diversity of background necessary to meet the challenges of health services administration over the next few decades.

Table 3.—Number of programs by academic setting, 1979

Center for Health Services Education and Research	1
College of Arts and Sciences	1
College of Community Service	1
College of Human Development	1
Graduate Schools	4
Graduate Schools of Business/Management and/or Public Administration/ Government	22
Joint Business and Allied Health	1
Joint Community and Allied Health	1
Joint Medicine and Graduate School	7
Joint Medicine, Business and Public Administration	1
Schools of Allied Health	3
School of Health Related Professions	1
Schools of Medicine	3
School of Pharmacy	1
School of Professional Studies	1
Schools of Public Health	18
Total	67

Note: Programs in health administration at Wagner College and The Chicago Medical School were terminated, accounting for a drop in AUPHA membership.

Source: Association of University Programs in Health Administration, 1980.

Health services research

According to S.M. Shortell and J.P. LoGerfo in a 1978 paper prepared for the Insitute of Medicine Steering Committee on Health Services Research, "Health Services Research is concerned with studying the relationships between consumers and providers as they affect and are affected by health care organizations, technology, financing and payments systems." While researchable issues abound and a relative abundance of research talent is available, health services research has suffered from a lack of "environmental" acceptance and support. Organizational, financial, and disciplinary support in the academic research community has not been sufficient, and the effectiveness of the research effort has been limited in some cases by unsympathetic receptors in the field of practice.

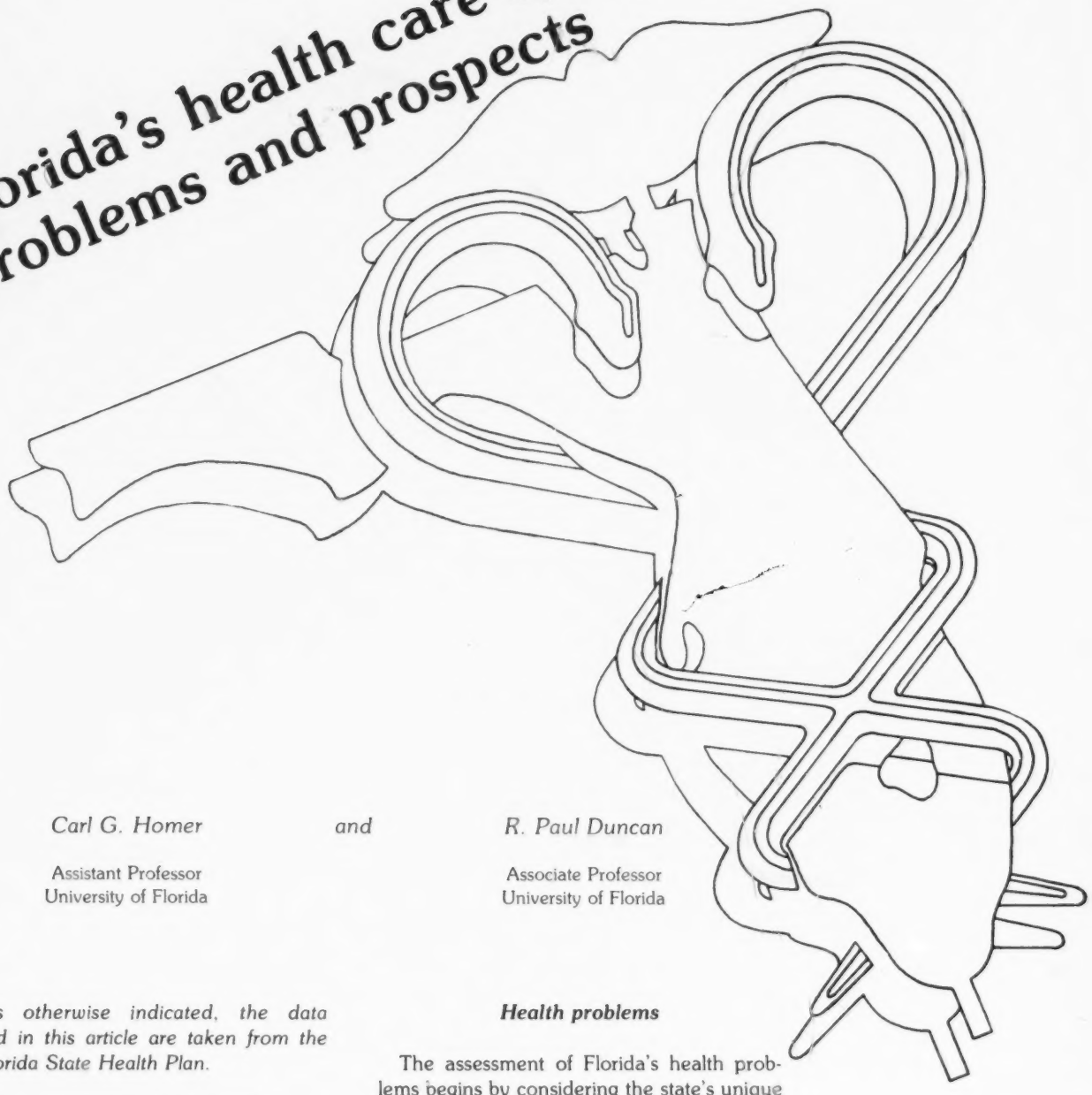
D. Mechanic has pointed out in his book *Politics, Medicine and Social Science* that professionals, particularly physicians, have actually discouraged health services research because they believe they should dictate the characteristics of the health care system and because they find their prerogatives severely challenged when organizational and distribution issues surface either through research or the administrative process. Historically, lacking sufficient challenge (or threat) from the environment, governing boards and administrators have seen little utility in challenging their professional staffs and indeed have found it more comfortable to ignore the organizational and financial research issues

Conclusion

A necessary but insufficient solution to the problems outlined above is the development of result-oriented talent well versed in the conceptualization and analysis of problems which exist in alternative health service systems.

Subsequent articles deal with some of the other issues which characterize health services administration in the State of Florida.

Florida's health care system: problems and prospects



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Unless otherwise indicated, the data discussed in this article are taken from the 1979 Florida State Health Plan.

The State Health Plan provides a useful framework for studying Florida's health system. The plan describes some of the state's health problems, analyzes the use of existing resources, and presents objectives and specific actions for improving the system.

Health problems

The assessment of Florida's health problems begins by considering the state's unique population. During the last thirty years, Florida's population has grown from under 3 million to approximately 10 million. Immigration of people from other states accounts for most of that vast growth; since 1960, 91.6 percent of Florida's population increase has been produced by immigration.

The prevalence of retirees among these im-

migrants has greatly affected the state's health service needs. Florida has a higher percentage of elderly residents than any other state—17.3 percent in 1977, compared to the national average of 10.9 percent. Some southern counties, where the elderly are more than 30 percent of the population, have very high rates of heart disease, cancer, kidney disease, influenza, and pneumonia. The large and growing elderly population requires more health services than younger populations and it particularly needs services directed at treating chronic illnesses.

Another population characteristic that has important implications for health service needs is income. In 1977, Florida ranked forty-third in median household effective buying income (personal income minus all taxes). Eleven percent of Florida families in 1979 had incomes below the poverty level compared to a national figure of 9 percent. Income, like age, is not uniformly distributed in the state; although per capita income in 1976 was over $6,000, no counties in the north-central region exceeded $5,000 and about half did not exceed $3,000.

Income is closely related to race in Florida's population and race is a dependable predictor of illness. While whites are healthier than nonwhites throughout the U.S., health differences between the races are even greater in Florida. White Floridians have a longer life expectancy at birth than all white Americans but nonwhite Floridians have a shorter life expectancy than all nonwhite Americans.

There are also some striking differences in the kinds of health problems experienced by members of different racial groups. Heart, cancer, and cerebrovascular diseases are the leading cause of death for both races, but these diseases account for over 75 percent of white deaths and barely 50 percent of nonwhite deaths. Whites are more likely to die from bronchitis, emphysema, asthma, arteriosclerosis, and suicide while nonwhites are more likely to die from accidents, influenza, pneumonia, diabetes, homicide, and diseases of early infancy.

Although Florida's death rates, adjusted for age, have been consistently lower than those of the entire U.S. population, there are some disturbing trends. Cancer and cirrhosis of the liver are increasing in the 45-to-64 age group as are cancer and chronic obstructive respiratory disease in the 65-and-older group. Suicide is becoming more frequent among Floridians 15 to 44 and sudden infant death is also rising.

The incidence of tuberculosis is much higher in Florida than the rest of the country and hepatitis is rising dramatically. Florida leads the nation in reported syphilis rates and is seventh in gonorrhea.

These figures are troubling because many of the illnesses that are increasing or that afflict Floridians more than other Americans are preventable. They can be attributed largely to social conditions such as inadequate housing, and to unhealthful personal habits such as smoking, drinking, and poor nutrition.

Use of existing resources

Floridians in 1977 spent about 10.6 percent of the Gross State Product, or $725 per capita, for personal health care. For the same kinds of goods and services, all Americans spent 7.8 percent of the Gross National Product or $646 per capita. To be sure, Florida's elderly population accounts for some of its high health-care expenditures but there are also strong reasons to believe the state's health system could be much more efficient.

For example, the State Health Plan suggests and many other analyses[1] agree that health care would be less expensive if more resources were allocated to promoting health and preventing disease, and less to treating acute illnesses. In Florida, less than 10 percent of personal health expenditures pay for preventive services whereas more than 70 percent pay for diagnosis and treatment. One source of encouragement in the area of prevention is the business community's sponsorship of health-promotion workshops through its Council of 100.

Florida's Medicare costs also reveal inefficiencies. Medicare expenditures per Florida enrollee are nearly 10 percent higher than the national average and differences within the state are extreme. The average Dade County recipient ($1,317) costs Medicare nearly four times the average Jefferson County recipient ($356). While some Jefferson residents may not be receiving adequate service, it is also likely that Dade residents could be served less expensively.

Planning officials contend that one reason for high expenditures is probably the ineffi-

[1] *c.f.* G.E. Alan Dever, Community Health Analyses (Germantown, Maryland: Aspen Systems Corporation, 1980), pp. 25-36.

Table 1.—Selected Florida health care resources

	Health Systems Agency									
	1	2	3	4	5	6	7	8	9	State
Population (1978 estimate)	769,168	958,082	955,320	1,609,480	882,893	877,727	737,015	929,594	1,550,069	9,269,338
Doctors of medicine	938	1,032	1,417	2,298	1,180	1,310	1,060	1,574	4,590	15,399
Doctors of medicine per 1,000 population	1.12	1.08	1.48	1.43	1.34	1.49	1.44	1.69	2.96	1.6
Dentists	276	137	349	449	469	417	458	671	1,150	4,376
Dentists per 1,000 population	0.359	0.143	0.365	0.279	0.531	0.475	0.621	0.722	0.742	0.472
Hospitals	25	23	24	35	15	23	15	20	36	216
Hospital beds	3,712	3,102	5,061	8,466	4,126	5,189	3,013	5,604	11,021	49,294
Hospital beds per 1,000 population	4.83	3.24	5.30	5.26	4.67	5.91	4.10	6.03	7.11	5.32
HMOs (certified)	---	---	2	1	---	---	---	1	4	8
Nursing homes	24	23	42	92	30	38	29	23	38	339
Nursing home beds	2,391	2,152	4,255	8,910	3,046	3,953	2,941	2,615	5,462	35,725
Nursing home beds per 1,000 population	3.11	2.25	4.45	5.54	3.45	4.50	3.99	2.81	3.52	3.85
Population age 65 and older	75,165	98,008	124,948	388,746	93,336	160,040	151,583	196,029	240,054	1,527,909
Nursing home beds per 1,000 population age 65 and older	31.8	21.9	34.0	22.9	32.7	24.7	19.4	13.3	22.8	23.4

Sources: State of Florida, Department of Health and Rehabilitative Services, Nursing Homes and Homes for Special Services, (mimeographed); University of Florida, Bureau of Economic and Business Research, Florida Statistical Abstract, 1979.

cient use of acute hospital services. Experience in various health care systems has shown that an excess of hospital beds leads to inefficient use and, therefore, high expenditures. Federal guidelines recommend that acute care hospitals maintain an overall occupancy rate of 80 percent with a beds-to-population ratio of 4.0 beds per 1,000. Florida in 1978 had an overall occupancy rate of only 60.4 percent and a beds-to-population ratio of 5.3 per 1,000 (see Table 1).

Again, regional differences are striking. The region comprising Monroe and Dade counties has 7.1 beds per 1,000 persons whereas the panhandle has 4.8 beds per 1,000.[2] The Monroe-Dade area also uses about 40 percent more patient-days per 1,000, which undoubtedly contributes to the differences in Medicare expenditures cited earlier. (See map of HSA regions on page 33.)

Florida's excess hospital capacity must be considered along with a probable shortage of nursing home care. The number of nursing home beds per thousand residents over 65 is less than half the national average and is nearly 10,000 beds short of the state plan goal (see the article by Fred West on page 29). Florida also spends a lower percentage of its health care dollars for nursing home care than the rest of the country. The state plan suggests that a more efficient use of health care resources might be achieved if some acute care expenditures were shifted to less expensive nursing home care.

Another suggestion of inefficiency in Florida's health system is the relatively low use of outpatient services. Florida hospital outpatient visits are considerably less than the national average—637.6 per 1,000 persons for the state compared to 937.5 per 1,000 nationally, in 1976. For the same year, only 2 percent of the state's Medicare expenditures paid for outpatient hospital care. In many instances, outpatient hospital services provide a less expensive alternative to inpatient care. Given an apparent excess bed capacity and the attending high use of inpatient services in parts of Florida, it appears that fewer beds and more outpatient visits would be more efficient.

Objectives and actions

Many of the State Health Plan's goals, objectives and proposed actions address the inefficiencies described here. For example, a

[2]*These figures are based on data from the 1979* Florida Statistical Abstract *and differ slightly from comparable figures in the State Health Plan.*

major objective is to reduce Florida's acute care hospital beds-to-population ratio from 5.6/1,000 to 4.0/1,000. The plan recommends that all Florida hospitals develop five-year plans to enable the Health Systems Agencies to more effectively monitor changes in hospital capacity. It also calls for study of a reimbursement program that would discourage hospitals from building beds that would not be used efficiently.

Another attempt to promote efficiency is the plan's goal concerning Computerized Tomography (CT) Scanners. The CT scanner takes large numbers of X-rays and then reconstructs them to provide complete "pictures". The scanner is a valuable diagnostic tool—in some cases it can substitute for expensive, dangerous surgery.

The problem is that CT scanners are themselves expensive. Their capital cost ranges from about $100,000 to $600,000 and annual operating costs average about $370,000. But there are economies of scale; if the scanner performs 2,000 scans per year the operating cost per scan is $163, while 4,000 scans can be performed at a unit cost of $93.[3] An efficient allocation of resources, therefore, requires that each scanner be used to its capacity.

According to the State Health Plan, Florida has too many scanners and is using them inefficiently. A national survey in 1976 revealed that Florida was a close second to California in numbers of scanners per population. Florida then had one CT scanner per 220,000 residents and it now has one per 124,000. Although the appropriate use of and need for scanners is still being debated, one study has suggested that one scanner per 600,000 persons could meet the needs of an urban area.[4] The plan's goal states that CT scanners should perform 2,500 medically necessary procedures per year, a standard met in few, if any, areas of Florida today.

One obstacle to improving the health system's efficiency has been that third-party reimbursement plans (Medicare, Medicaid, Blue Cross/Blue Shield, and private insurance) have included incentives for inefficiency. For example, third parties usually paid for inpatient care but did not cover less expensive outpatient care. The State Health Plan urges the development of health insurance policies that encourage consumers and providers to choose the most appropriate level of care. It also recommends that policies promote consumer cost-consciousness by including deductibles and coinsurance. And recognizing that physicians have the most influence in deciding how health care resources are used, it calls for a cost-containment component in curricula of all Florida medical schools.

The most successful approach to promoting efficiency has been health maintenance organizations (see articles by John Schmitt and Carl Homer and by A. S. Arnold on pages 11 and 16). HMOs encourage patients to take advantage of preventive and other outpatient services because these services are paid for in advance. The advance payment also discourages the unnecessary use of expensive services such as hospital care because the plan or providers, not a third party, assume the financial risks.

As of 1979, Florida had eight HMOs serving 150,000 members. However, six of the eight operated in the red in 1977 and no HMO provides services to Medicaid recipients. Also, three of Florida's HMOs are Individual Practice Associations, which have been less successful than Prepaid Group Practices in containing costs (see Schmitt and Homer). The State Health Plan establishes objectives of doubling Floridian enrollment in HMOs by 1984 and initiating at least one Medicaid/HMO project this year. It also calls for an evaluation of the state's HMOs to determine if they are providing high-quality, cost-effective health care.

Conclusion

At the state level, Florida generally has an excess capacity of hospital beds, CT Scanners, open heart surgery centers, obstetric beds, and several other health services. At the same time we have an overall shortage of nursing home beds, have been slow to develop HMOs and place too little emphasis on preventive care. Acknowledging that there are specific locations within the state where residents have very limited access to health services, that the state has a unique demographic structure, and experiences dramatic population shifts due to tourism, the services would be more than adequate to meet the needs of the population if they could be more equitably distributed.

[3] *R.G. Evers and R.G. Jost, "Economic Analysis of Computed Tomography Units," American Journal of Roentgenology, 127:1 (1976), 191-198.*

[4] *Arthur D. Little, Inc., A Health Planning Document: Computerized Tomographic Scanning Systems (Rockville, Maryland: Health Resources Administration, 1975), p. 75.*

The problem of rising health care costs

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The United States is expected to spend $245 billion on health care in 1980, $1,078 per person. Only fifteen years ago the comparable figures were $43 billion and $217 per person. The percentage of the Gross National Product allocated to health care has increased during this period from 6.2 to 9.5.[1]

This extraordinary growth of health care expenses has inspired many explanations for the inflation and even more proposals for reducing it. Discussed below are possible reasons for the recent escalation of health care costs, the experience with three federally legislated attempts to contain costs, and voluntary cost-containment efforts in hospitals.

Reasons for rising costs

The most popular explanation for health care cost inflation is that a relatively fixed supply of medical facilities and manpower are facing sharply increased demand. The market response to this strain is just what classical economic theory would predict—a steep rise in prices.

Proponents of this explanation point to the growth of health insurance as the principal reason for increased demand. In the late sixties and early seventies, Medicare and Medicaid legislation made it possible for millions of elderly and poor Americans to purchase health care services. During the same period, private health insurance continued to gain acceptance as a necessary fringe benefit, a trend encouraged by the tax advantage for employers.

Health insurance increases demand by reducing the price of care at the point of consumption; patients, or physicians acting on their behalf, are induced to buy more health care services than they would if the entire bill were being paid out-of-pocket. Furthermore, as demand rises and pushes prices up, persons with little or no insurance are forced to increase their coverage to cope with the even greater financial risk of illness. The result is an expanding spiral of insurance, demand, and prices.

The evidence appears to support this explanation of health care inflation, at least for the late sixties. Medicare, Medicaid, and private health insurance certainly reduced out-of-pocket payments for hospital care—only 8 percent of hospital revenue now comes directly from consumers. There is also clear evidence for the effect on expressed demand; comparisons before and after the introduction of Medicare show a shift toward more treatment of elderly patients.[2]

But the most recent inflation is not easily explained by the health-insurance-demand model. The model does not offer any reason why health care prices should continue to rise faster than other prices even though health insurance is no longer growing. The percentage of hospital revenues paid by insurance has

[1] Mark Freeland, George Calat and Carol Schendler, "Projections of National Health Expenditures, 1980, 1985, and 1990," Health Care Financing Review, Winter, 1980, pp. 1-27.

[2] Paul Feldstein, Health Care Economics (New York: Wiley, 1979), pp. 210-11.

not changed much since the early seventies. Neither does the direct evidence regarding demand and occupancy rates reveal any driving force of inflation. Hospitals reached peak occupancy levels in 1969 and declined through the seventies. Thus, excess demand apparently has not exerted pressure for higher prices in recent years.

Another explanation of health care inflation rests on the rising cost of labor. There are several variations of this model. One suggests that increased revenues that became available through health insurance allowed health care employers to raise wages beyond levels necessary to keep jobs filled. Another holds that changes in general labor-market conditions reduced the supply of workers, making wage hikes necessary. A third emphasizes the importance of unions.

Whatever the reason, it appears that increasing wages did contribute to health care cost inflation in the fifties and sixties. Health workers in the early fifties earned considerably less than workers with similar amounts of training in other industries, but by the late sixties health workers had made up the deficit and in some categories surpassed their counterparts in other industries.[3]

But labor costs are not the only culprit. Even though health care industry wages continued to rise in the seventies and the number of employees per patient day increased faster than previously, nonlabor expenses grew even more than labor expenses.

Much of the growth in both labor and nonlabor costs can be attributed to the adoption of expensive technologies for diagnosing and treating illness. Examples are cancer radiation therapy, renal dialysis, open-heart surgery, organ transplants, intensive-care units for heart attacks, burns, and trauma, and computerized tomography scanners. (See article by Homer and Duncan on page 7.)

Many of these technologies represent significant improvements over previous forms of treatment. In these cases, the higher costs do not really represent inflation; the prices of a treatment that produces a cure and the ineffective treatment it replaced cannot be compared as are the prices of an unchanging product, such as a loaf of bread. However, the effectiveness of some new, expensive technologies is controversial. For example, studies have shown that coronary bypass surgery is no more effective than medical treatment for some heart conditions.[4] If future research corroborates these findings, the much greater cost of the surgery (an average of $15,000) should be considered a source of inflation and an unnecessary contributor to burgeoning health care expenditures.

Federal programs to contain costs

Three federal attempts to contain health care costs are Certificate of Need programs, Utilization Review, and Health Maintenance Organizations.

Certificate of Need (CON) programs are designed to restrict investment, especially in hospital beds, facilities, and equipment. Although the restriction should effect direct savings in capital expenditures, even greater savings should be realized in operating costs. An excess of supply of medical facilities produces inefficiencies in two seemingly paradoxical ways. Unused facilities such as empty hospital beds waste space, equipment and staff resources. On the other hand, because the medical system is capable of creating demand for its services, excess supplies can lead to unnecessary use of resources. Certificate of Need programs attempt to contain costs by restricting investment in facilities, thereby reducing both under- and overuse.

New York created the first mandatory CON program in 1964 and most other states now have programs. The 1974 Health Planning Act required that all states establish CON programs by 1980 as a condition of receiving any Public Health Service funds. The CON process varies among the states but generally involves committees of health professionals and consumers judging the need for proposed capital expansions. (See article by Duncan and Crandall on page 32 for a more complete description of the CON process under the 1974 Health Planning Act.)

The most systematic study of CON programs[5] indicates that they do not change overall levels of investment but do produce a shift from bed expansion to capital expenditures for equipment and facilities. Thus, CON should have a contradictory effect on operating costs as it reduces the amount of services available but increases the unit cost. However, this study's conclusion should be

[3] *V. Fuchs, "The Earnings of Allied Health Personnel—Are Health Workers Underpaid," Explorations in Economic Research, 3 (Summer, 1976), 408-31*

[4] *Office of Technology Assessment, Assessing the Efficacy and Safety of Medical Technologies (Washington, D.C.: U.S. Government Printing Office, 1978), pp. 42-44*

[5] *David Salkever and Thomas Bice, "The Impact of Certificate of Need Controls on Hospital Investment," Milbank Memorial Fund Quarterly, Spring, 1976, pp. 185-214*

viewed with reservations because it did not consider the possibility of long-range changes in hospital investment behavior and because it does not include the more recent experience of CON programs under the 1974 Health Planning Act.

Utilization Review (UR) is a procedure by which committees of physicians assess the appropriateness of health care. The most prevalent form of UR is concurrent review, the evaluation of individual cases in the hospital at the time of the review. The UR committee pays close attention to the patients' length of stay but it is also supposed to assure that they receive good care. Thus, UR has two potentially conflicting goals—a cost containment goal aimed at reducing unnecessary resource use and a quality assurance goal that could foster greater resource use.

The Joint Commission on Accreditation of Hospitals recommended in the 1960s and finally mandated the routine practice of UR. From the beginning of Medicare in 1966 all participating hospitals were required to have UR programs. Congress in 1972 provided legislation for Professional Standards Review Organizations (PSROs) to fulfill the UR function on a regional basis.

The numerous studies of UR and PSROs provide inconclusive evidence on their ability to contain costs. Some studies have shown slight reductions in hospital use while others have shown no significant effects of UR programs. But one point that seems clear is that UR is a very expensive way to save money. An HEW study estimated the cost of performing UR at $18.31 per case or $690 million if all acute-care patients were reviewed. More recently, the agency administering PSROs claimed they saved the government $1.27 for every dollar spent but the Congressional Budget Office, using the same data, found a savings of only $0.40 per dollar spent.[6]

Health Maintenance Organizations (HMOs), unlike the traditional fee-for-service system, provide comprehensive health care for a prepaid fixed fee. (See article by A.S. Arnold on page 16.) In one type of HMO, the Individual Practice Association (IPA), funds from patients' monthly payments are used to reimburse physicians and other service providers on a fee-for-service basis. But the HMO concept has been applied most successfully in group practice. In prepaid group practice (PPGP), physicians from various specialties share facilities and ancillary personnel and are usually paid salaries.

The main reason that HMOs might be expected to contain costs is that they reverse the provider's financial incentive. Under the traditional fee-for-service system, physicians and other providers make more money when their patients buy more services. Under prepayment, the providing organization's income is determined in advance; it can maximize "profits" only by minimizing total costs. Costs can be reduced by eliminating unnecessary care and by substituting less expensive outpatient services for more expensive hospital services.

A large body of research has shown that PPGPs can save money. A family can expect to reduce its total medical expenses by 6 to 46 percent by enrolling in a prepaid group practice plan. The greatest saving is in hospitalization—estimates of the reduction range from 20 to 70 percent. Such savings have not yet been convincingly demonstrated in the IPA form of HMOs.

The HMO Act of 1973 authorized active government support of HMO development. It provided grants, loans, and loan guarantees for feasibility studies, planning projects, and initial operating costs. The act required employers, under certain conditions, to offer the choice of HMO enrollment in their health benefits plans. It also nullified some state laws that hindered or prohibited HMO development.

The growth of HMOs has been disappointing. (See article by Homer and Duncan on page 7 for the Florida HMO story.) In the early seventies, HEW Secretary Elliot Richardson predicted that 80 percent of the population would be members of HMOs by 1980; current enrollment is actually about 4 percent,[7] but growth has accelerated over the last three years and the HMO Office is now predicting enrollment of 19 million persons by 1988.[8]

Voluntary cost containment in hospitals

Of the three federal cost-containment efforts discussed above only one, HMOs, has demonstrated real promise. Unfortunately, the slow growth of HMOs has prevented their having any significant impact on total health

[6]*American Public Health Association, The Nation's Health, July, 1980, p. 3.*

[7]*Office of Health Maintenance Organizations, "Census Shows Strong Enrollment Growth," HMO Focus, April, 1980, pp. 1-2.*

[8]*Howard Veit, Speech at Annual Meeting of the Association of University Programs in Health Administration, Washington, D.C., April, 1980.*

expenditures. However, other cost-containment initiatives have been made by hospitals themselves motivated by their preference for voluntary rate control as opposed to unilateral programs generated by external organizations.

In 1978, the American Hospital Association (AHA), American Medical Association (AMA), and Federation of American Hospitals (FAH) launched a jointly endorsed voluntary cost-containment program with a twofold goal: 1) to achieve a significant reduction in the rate of increase in health care costs, and 2) to provide an alternative to mandatory and inflexible government controls. Whether as the result of a general economic slowdown or of cost-containment activities spurred on by this combined voluntary effort, hospital cost increases had slowed by the end of 1978. The annual inflation rate for Medicare hospital costs dropped from 17.1 percent in 1977 to 12.5 percent in 1978. In recognition of this fact, Representative Dan Rostenkowski (D-IL), who had introduced an unsuccessful cost-containment bill in 1978, told AHA members at a November meeting, "Your work is making a difference." He warned, however, the hospitals should not rest on their laurels but continue their commitment to voluntary cost containment with the goal of trimming another 2 percent off the rate of hospital cost inflation in 1979.

The methods used by hospitals to achieve these results have produced a wide variety of activities with varying payoffs. An overview of some of these cost-containment efforts provides an insight into the daily managerial decision-making that is bringing about reductions in hospital services costs.

Budgeting

The budgeting process is the most comprehensive financial tool available to hospitals for self-regulation. By definition, the budget is a financial plan serving as an estimate of and a control over future operations. The budget converts the hospital's plans into operating expenses, cash flow, and capital acquisition projections.

Most hospitals have kept some type of budget for years. Recently, additional impetus was given to hospital budgeting by the Health Planning and Resources Act of 1974 which required hospitals receiving Medicare reimbursement to maintain a three-year operating budget. During the last few years, the legislative shift of attention to cost containment has stimulated more interest in budgeting concepts than budgeting practice.

One recent innovation in hospital budgeting is "zero-base budgeting" (ZBB) under which no department or program is assured of continued funding simply because of its historic existence. Using this method, the final budget is produced by converting all projects and programs into decision packages which are ranked and priced, sorting them into appropriate budget units, and summing the costs identified on each approved package to produce the budget for each department. Reports in the literature of recent hospital applications of the ZBB system are highly favorable. Although no report contains specific cost savings attributable to ZBB, they repeatedly cite a heightening of cost consciousness throughout management ranks, a necessary prerequisite to cost containment.[9,10]

Shared services

Shared services have been defined by the American Hospital Association (AHA) as "those administrative and clinical services that are common to two or more health care institutions and that are used jointly or cooperatively by these in some manner for the purpose of improving care, containing costs, and effecting economies of scale." A 1975 AHA survey showed that 63.2 percent of hospitals participated in one or more shared services. The results of a followup survey in February, 1979, revealed that, along with increasing concern for cost containment, the amount of sharing has increased substantially. More than 80 percent of the hospitals responding to the second survey reported they were sharing one or more services with other hospitals.

The AHA surveys show that most services shared are administrative in nature. Of these, purchasing, data processing and education and training lead the list. The ten most commonly shared services include only three clinical ones: blood banking, laboratory services, and diagnostic radiology. As might be expected, the results of the AHA survey show

[9] B. Fisher and D. Grant, "How One Hospital Applied 'O' Based Budgeting (and Won)," Hospital Financial Management (Chicago: Hospital Financial Management Association, September, 1978), pp. 22-23.

[10] S. E. Shapiro, "ZBB Decision Tool," Hospital Financial Management (Chicago: Hospital Financial Management Association, October, 1979), pp. 40-42.

that economies of scale are more readily found in administrative and clinical activities not unique to specific hospitals. It is clear that the option of sharing a given service rather than independently supporting it is being exercised more frequently as pressure increases to contain costs.

Occupancy scheduling

It has long been realized that one of the most effective means for reducing variable operating costs is the efficient control of hospital bed utilization. Bed utilization is measured by the occupancy rate, the total of occupied beds divided by available beds. The economies associated with a high occupancy rate are addressed frequently in hospital literature and continue to be a key concern of hospital administrators.

Recently, several new methods have been employed to improve occupancy rates. A study concerned with the implementation of an admission scheduling system, for example, revealed that the subject hospital's occupancy rate increased from 88 percent to over 95 percent in seven months.[11] Another hospital employing a census forecast as part of the planning, budget development, and operational processes estimated annual cost savings from better utilization to be in excess of $100,000 per year.[12] The Ohio State University Hospital, which has the longest experience with a complete census prediction system, reports the average census went from 89.76 percent during one period in 1974 to 90.26 percent for the same period in 1975, a 42 percent increase ($125,000 in revenue). In an effort to evaluate the contribution of the prediction system the Health Services Research (HSR) Division at the University of Florida experimentally implemented the system at four Gainesville, Florida, hospitals. The studies indicated both the basic feasibility of predicting hospital census and the types of benefits possible by employing census prediction on a regular basis in different institutional settings.[13]

It is difficult to specifically document the contribution to cost savings of techniques to improve occupancy rates. However, research has shown that if all community hospitals had been achieving at least 90 percent occupancy in adult medical-surgical units and 70 percent in obstetrics and pediatrics in 1971, the improvement would have permitted the closing of 8 percent of the nation's bed supply. Considering there are approximately 1,500,000 beds in the United States and the cost of an unoccupied bed is 70 percent of an occupied bed, or $39,000 per unoccupied bed per year, national savings associated with this estimate would be nearly four and one-half billion dollars a year.

Other cost-saving activities

Even the most cursory review of health administration literature leaves the impression that the list of cost-saving ideas is endless. The American Hospital Association, the Hospital Financial Management Association and other hospital-related organizations have devoted a great deal of publishing effort to cost containment. Among the ideas found in these publications which have not been mentioned earlier are

- self-insurance programs to reduce professional liability insurance premiums,
- inventory analysis to eliminate duplication and waste as well as determine optimal quantities for economic purchasing,
- contract review procedures to minimize cost and consolidate separate contracts into less expensive master service contracts,
- energy conservation programs to reduce the cost of utilities being consumed in the support of 24-hour-a-day, seven-days-a-week hospital operations,
- evaluation of departmental charge systems to reduce "lost" charges, standardize procedures, and simplify administrative activities.[14]

The reward for institutions practicing voluntary cost containment is not to be found in future plaudits coming from the public or government. Rather the outcome may be simply the continued avoidance of mandatory controls and the opportunity to organizationally live longer. However, as hospitals enter the competitive era of the 1980s even this perspective may not be sufficient. As John F. Reilly, executive vice-president of Cabrini Medical Center, points out, "Faced with an over-regulated environment, hospitals must persevere and find innovative ways not only to survive but to flourish."[15]

[11] *J.R. Griffith, W.M. Hancock and F.C. Munson, "The Concept of Cost Control in Hospitals,"* Cost Control in Hospitals *(Ann Arbor: Health Administration Press, 1976), pp. 10-22.*

[12] *B.B. Clark and B.X. Lamont, "Accurate Census Forecasting Leads to Cost Containment,"* Hospitals, Journal of the American Hospital Association, *50 (June 1, 1976), pp. 43-48.*

[13] *Ralph W. Swain and Kerry E. Kilpatrick, "Implementation and Evaluation of a Hospital Census Prediction Model" (unpublished report prepared by The Health Systems Research Division, University of Florida, July, 1977).*

[14] *R.J. Cisneros, "Practical Pointers,"* Hospital Financial Management *(Chicago: Hospital Management Association, October, 1979), pp. 47-51.*

[15] *J.F. Reilly, "The Impact of Cost Containment on the Voluntary Community Hospital,"* Bulletin, New York Academy of Medicine, *56:1 (January-February, 1980), 87-93.*

Health care and health maintenance organizations

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In most years of the past decade, medical care price increases have exceeded those registered by the total Consumer Price Index. The impact of accelerating health care costs rests disproportionately upon a significant segment of the population, particularly those not protected by health insurance.

In 1976, an estimated 23 million people were without health insurance. Sixty-eight percent of these uninsured persons have family incomes of less than $10,000 per year. Concurrently, many communities do not have adequate health care resources. The United States Department of Health, Education, and Welfare has developed an index to determine this. "Medically underserved areas" are identified through a weighted formula including the ratio of general-care physicians to population, the infant mortality rate, and the percentage of elderly and poor residents. Based upon the formula, there are currently 51.2 million medically underserved Americans, or about 23 percent of the population.[1]

Increasing costs, coupled with a substantial void in health insurance coverage, present a dilemma in our national goal to provide high-quality health care for all citizens. This has become a major public policy issue. There appears to be a widespread conviction that an effective change in the organization and delivery of health services is essential for cost containment and to improve the availability and condition of health care generally.

The Health Maintenance Organization (HMO) is one alternative mode of financing and delivering health care.

Expenditures

Health care costs have risen at an average annual rate of 10.1 percent since 1950, with an average annual increase of 12.7 percent since 1965. As shown in Table 1, expenditures in 1977 for health care amounted to $162.6 billion, representing 8.8 percent of Gross National Product, with an average of $736.92 per capita. This is in sharp contrast with 1967, when the total outlay for health care was $47.9 billion or 6.2 percent of Gross National Product, with an average of only $237.93 per capita.[2] Personal consumption expenditures for health care have more than doubled in the last decade.

Federal, state, and local governmental outlays accounted for 42.1 percent of the $162.6 billion expended in 1977. Of this amount, 40 percent was for hospital services, 20 percent for physicians' services, and 8 percent for nursing home care.

The long-term rise in health-related expenditures is traceable to price inflation to a much greater extent than to a real increase in health care consumption. Hospital expenditures, the most rapidly growing component

[1] *Alexander B. Grannis and Peter D. Beitchman, "Diagnosing Health Care," New York Times, November 4, 1979.*

[2] *U.S. Department of Health, Education and Welfare, Public Health Service, Office of Health Policy Research and Statistics, National Center for Health Services Research, National Center for Health Statistics, Health, United States, 1978, p. 146.*

of health care costs, rose at an average annual rate of 11 percent, and the services of physicians and dentists increased at an average annual rate of about 9.5 percent. When the data are deflated by the Consumer Price Index rebased to 1950 = 100, increases in expenditures averaged 4.9 percent.[3] Thus, more than half the increase since 1950 is directly attributable to price change.

While higher prices are the primary cause, increased spending has also been caused by: (a) growth in the number and complexity of health services; (b) a change from ambulatory to more expensive institutional care; (c) an increase in the number of older persons in the general population—nearly 25 million, or 11.2 percent; and (d) substantially increased third-party payments which tend to be inflationary.

Table 1.—Gross National Product and national health expenditures, selected fiscal years, 1929-1977

Fiscal year	Gross national product in billions	National health expenditures		
		Amount in millions	Percent of gross national product	Amount per capita
Fiscal year ending June 30:				
1929	$ 101.3	$ 3,589	3.5	$ 29.16
1935	68.9	2,846	4.1	22.04
1940	95.4	3,883	4.1	28.98
1950	264.8	12,027	4.5	78.35
1955	381.0	17,330	4.5	103.76
1960	498.3	25,856	5.2	141.63
1965	658.0	38,892	5.9	197.75
1966	722.4	42,109	5.8	211.56
1967	773.5	47,879	6.2	237.93
1968	830.2	53,765	6.5	264.37
1969	904.2	60,617	6.7	295.20
1970	960.2	69,201	7.2	333.57
1971	1,019.8	77,162	7.6	368.25
1972	1,111.8	86,687	7.8	409.71
1973	1,238.6	95,383	7.7	447.31
1974	1,361.2	106,321	7.8	495.01
1975	1,454.5	123,716	8.5	571.21
1976	1,625.4	141,013	8.7	645.76
Fiscal year ending September 30:				
1975	1,487.1	127,719	8.6	588.48
1976	1,667.4	145,102	8.7	663.06
1977	1,838.0	162,627	8.8	736.92

Source: Health Care Financing Administration.

Financing

Health care costs are financed privately with direct payments by the consumer and indirect private and public third-party payments.

In the private sector, third-party payments are provided by insurance carriers, i.e., Blue Cross/Blue Shield, and commercial insurance companies. Indirect payments in the public sector include Medicare and Medicaid, which pay for services to the aged, disabled, and the poor; programs providing services directly to specific groups such as veterans, members of the armed forces and their dependents, and migrant workers; and workmen's compensation benefits that are required by state laws but underwritten by private insurance carriers. Third-party payments by health insurance carriers and by governments are growing in importance. In 1977, these payments accounted for nearly 70 percent of the total financing of all personal health care.[4]

Despite the magnitude of expenditures, there is positive evidence that the current health care system is not only costly but inefficient, and it does not provide needed health services to all our citizens. Millions of Americans do not have health insurance coverage and protection against the rising cost of major illness. As a consequence, the national health is adversely affected which in turn adversely affects the general welfare. It is this situation that underscores numerous proposals for a national health care plan.

Inflation and third-party payments

The magnitude of third-party payments has a direct impact upon inflation in health care costs. As shown in Table 1, public demand for health services has continuously risen. In theory, increased demand for goods or services in a competitive market would raise prices and increase supply until excess demand was eliminated and prices stabilized. This theory, however, is not applicable in the health care market because the theory assumes a rational, well-informed consumer whose spending behavior is designed to maximize utility. Most health consumers are not very knowledgeable about medical care; they are not sensitive to price; they have less expertise than providers of health services; and in most instances, expenditures are motivated by a physician.

Third-party payments, i.e., insurance, act

[3] Health, p. 378.
[4] Health, p. 378.

as a subsidy to purchase medical care by lowering the per-unit price of care. While there is an income effect caused by the premiums on taxes paid to finance the insurance benefits, these income effects are negligible in their effect on the demand for care. Accordingly, the more extensive the insurance (i.e., the lower the price to the consumer), the higher will be the demand for medical care.[5] Third-party payments reduce consumers' out-of-pocket costs and lower their resistance to high medical bills.

While third-party payments increase access and reduce financial hardships from illness, they contribute to inflation.

Insurance also influences the behavior of health care providers, who know their fees will not create a financial burden on the consumer. Since most third-party payment for physician services is based on "customary" fees and for hospital services on a retrospective cost-plus basis, providers can increase revenues at will by raising fees.

Uneven coverage, with costly hospital treatment almost fully insured, also encourages inefficiency. Patients and doctors are encouraged to select the treatment which minimizes patients' out-of-pocket costs, which may mean treating an illness in the hospital instead of in a clinic or at home where total costs might be less but the direct cost to the patient might be more. But removing constraints from purchasing ambulatory care to correct this problem may increase total costs by further stimulating demand.[6] It is recognized that there are additional features of health care that contribute to inflation, e.g., specialization and tax subsidies, but these are beyond the scope of this paper.

Health Maintenance Organizations

Cost (inflationary) control is clearly a major public policy issue. One of the strategies proposed to circumvent the problem is the encouragement of Health Maintenance Organizations (HMOs) to compete with fee-for-service providers in order to lower costs and provide expanded coverage.

A Health Maintenance Organization (HMO) is a legal entity which provides a wide range of basic and supplemental inpatient and outpatient health services to a voluntarily enrolled membership within a defined geographic area. Each member pays a fixed, uniform fee in advance. Fees are determined by the HMO on a per-person or a per-family basis and may vary with the number of persons in a family. Such rates must be equivalent for all individuals and for all families of similar composition, regardless of age or health status. An HMO is involved in both the delivery and the financing of health care services.

There are three basic types of HMOs: (a) the group-practice HMO, (b) the staff model, and (c) the individual practice association (IPA). The group-practice HMO provides care through contracts with a salaried physician's group and with area hospitals. The staff model is similar to a group-practice HMO except that it directly employs individual physicians. The Individual Practice Association (IPA) consists of doctors who provide prepaid health services in their private offices.

A federal law enacted in December, 1973, authorized the Department of Health, Education and Welfare to disburse $325 million to aid formation of new HMOs and to assist existing programs through grants, contracts, and loans. Under the legislation, employers of twenty-five or more workers who provide health benefits such as Blue Cross must offer workers a choice of joining an approved HMO if one is in the area. The act was amended in 1976 to stimulate growth and development of HMOs by providing simplified application procedures and reduced restrictions on the range, organization, delivery, and financing of HMO services.

Services offered

The Code of Federal Regulations entitled "Health Care Delivery Systems" describes the manner in which basic and supplemental services must be provided to HMO members.[7]

Basic health services means: (1) physicians' services (including consultant and referral services by a physician), (2) inpatient and outpatient hospital services, (3) medically necessary emergency health services, (4) short-term (not to exceed twenty visits) outpatient evaluative and crisis intervention mental health services, (5) medical treatment and referral services for abuse of or addiction to alcohol and drugs, (6) diagnostic laboratory

[5] *Joseph P. Newhouse, The Economics of Medical Care (Redding, Massachusetts: Addison-Wesley Publishing Company, 1978), p. 9.*

[6] *Health Services Policy Session, Washington, D.C., 1979, edited version (Washington, D.C.: Federal Trade Commission, Office of Policy Planning and Evaluation, 1979), p. 50.*

[7] *Federal Register, 39:90, May 8, 1974, p. 16422-23.*

and diagnostic and therapeutic radiologic services, (7) home health services, and (8) preventive health services.

Supplemental health services means: (1) services of facilities for intermediate and long-term care, (2) vision care, dental services and mental health services not included as a basic health service, (3) long-term physical medicine and rehabilitative services (including physical therapy), and (4) provision of prescription drugs.

Table 2.—Hospitalization: HMOs vs. traditional plans

	Type of plan	Average number of hospital days per 1,000 plan members	
Traditional plans	Blue Cross/Blue Shield	743	
	Indemity plan (private carrier plan)	741	
HMOs	Group practice HMO	315	(58 percent less hospitalization than traditional plans)
	Individual practice HMO	356	(52 percent less hospitalization than traditional plans)

Source: Carnegie Press Health Care Division, A Primer on HMOs, 1979, p. 6.

Operational HMOs

Data from the Office of Health Maintenance Organizations of the U.S. Public Health Service show that there are now 216 HMOs serving approximately 8 million people. HMO membership has increased by 128 percent since 1971, when there were but 39 HMOs serving 3.5 million people. Of the existing HMOs, 55 are staff models, 78 are group models, and 80 are IPAs. (Three HMOs have not reported their model type). As of August, 1978, membership in the staff models was 940,097; group models, 5,457,178; IPAs, 1,050,988. Thirty-seven states and Guam have at least one HMO, twenty-nine states have two or more HMOs, and six states have ten or more HMOs. Thirty-six states have passed HMO enabling legislation.

One hundred and four of the 216 operational HMOs are federally qualified with a membership of 5.1 million. Thirty of the 104 qualified HMOs are group models, 37 are staff models, and 37 are IPAs.

HMO cost savings

As noted earlier, an HMO is involved in both the delivery and financing of health care services while conventional insurance only pays for certain health care services. Basic to a comparison between the two is the matter of cost, which is a function of the health insurance premium outlay and the total paid by the individual out-of-pocket.

Although all health insurance premiums have increased, last year increases in HMO premiums averaged 50 percent less than those for conventional health insurance. Out-of-pocket expenses are usually covered in full for HMO members but conventional insurance customarily requires deductibles and percentage participation, and excludes certain services.

Total health care costs of HMO enrollees were 10 to 40 percent lower than those for comparable people with health insurance, according to a comprehensive review of all comparative studies published since 1950. Hospital days averaged 25 to 45 percent lower in prepaid group-practice HMO models and up to 25 percent lower in the IPA models.

Typical health insurance policies limit coverage of outpatient and preventive services but richly reimburse hospitalization. The fee-for-service structure may lead some doctors to provide unnecessary services, particularly when an insurance company will pay most or all of the bill. However, HMO physicians are on a salary, or its equivalent, which removes incentives for unnecessary services.

An HMO emphasizes outpatient and preventive care. Its economic incentive is to prevent illness or at least to detect and treat it early, because a single day in the hospital will cost the equivalent of a few months of the subscriber's fees. For the subscriber, in turn, medical outlays are predictable because most essential services are covered by the regular fee. And the HMO's broad physician and hospital benefits largely remove the financial threat of catastrophic illness.[8] As Table 2 shows, HMO members spend at least 50 percent less time in the hospital than members of Blue Cross/Blue Shield or other traditional plans. While the results reported here do not exhaust the evidence, they do document the fact that HMO operations have experienced cost savings.

[8]*Editors of* Consumer Reports, *"Are HMOs the Answer to Your Medical Needs?" reprint from* Guide to Consumer Services, *1977, p. 214.*

Florida's hospital cost containment legislation

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When the House of Representatives rejected President Carter's Hospital Cost Containment Act of 1979, it was the second time in a row that the President failed to obtain cost-control legislation from Congress. A major factor contributing to this outcome was the recent effort put forth by the hospital industry to voluntarily control health care costs. Recognizing this effort, Congress approved 321 to 75 a substitute proposal by Richard Gephardt (D-Mo) establishing a national commission to encourage continued voluntary efforts to contain hospital costs.

Congressional support for defeating a program of federal control was largely based on evidence that hospitals have been effective in recent years in voluntarily containing costs. For example, by May, 1978, the increase in hospital expenditures dropped to an annual rate of 12.6 percent down from 15.6 in 1977, according to the American Hospital Association's National Panel Survey. Even more important, the overall Consumer Price Index (CPI) was rising faster than the medical-care and hospital-care segments of the CPI from March through June of 1978. The June CPI figures showed all prices increasing by 0.9 percent with the prices for medical care rising 0.5 percent and 0.2 percent respectively.[1] More recently, as Table 1 shows, by comparison to the overall index and most of its major components, the medical indexes for the twelve-month period ending March 31, 1980, rose at consistently slower rates.

[1]*David S. Abernathy and David A. Pearson, Regulating Hospital Costs: The Development of Public Policy (Washington, DC: AUPHA Press, 1979), p. 155.*

Table 1.—Percentage changes in the CPI for all urban consumers

Expenditure category	February 1980 to March 1980	Compounded annual rate for 3 months ended March 1980	12 months ended March 1980
All items	1.4*	18.1*	14.7
Food and beverages	1.0*	4.3*	7.4
Housing	1.6*	19.5*	17.0
Energy	3.0*	64.8*	47.2
Transportation	1.7*	23.0*	35.2
Medical care	0.9*	15.9*	11.2
Medical care services	0.9	16.9	11.8
Professional services	1.0	16.9	10.6
Physician fees	0.8	16.5	10.4
Other medical care services	0.8	17.0	12.9
Hospital and other medical services	0.8	17.2	12.3
Hospital room	0.9*	14.7*	12.3
Other hospital and medical care services	1.0	16.9	12.2

Note: Changes that are indicated by an asterisk are seasonally adjusted figures. (Changes to most medical indexes are not available on a seasonally adjusted basis.)
Source: U.S. Bureau of Labor Statistics, April 22, 1980.

Voluntary cost containment in Florida

In Florida, voluntary cost containment efforts of hospitals have been underway for several years with apparent increasing success. In 1978, health care costs rose 13.65 percent in Florida, approximately 1 percent above the national rate. When adjusted using Census Bureau estimates for population growth, however, the rate dropped to 10.6 percent or approximately a half percent below the adjusted national rate of 11.1 percent.[2] This accomplishment takes on added significance when it is realized that Florida's aged population, which requires three times the health care services of other population groups, increased 0.5 percent, more than twice the national rate of increase of 0.2 percent. It is also noteworthy that such results were achieved in a state with documented excess bed capacity.

Although these findings suggest voluntary efforts in Florida have been working, the state legislature enacted the "Health Care Cost Containment Act of 1979" to be effective July 1, 1979. The act established a Hospital Cost Containment Board in the Department of Insurance, and empowered the board to monitor and influence the cost of hospital care through establishment of a uniform hospital financial reporting system. At issue now is the question of whether the establishment of the board will provide a productive or counterproductive impetus for further containing hospital costs in the state. Since this question must necessarily be answered using future cost measurements, any discussion at present must be limited to a descriptive introduction of the content and potential impact of the new Florida legislation.

Board composition and responsibilities

The composition of the Florida Hospital Cost Containment Board is defined in the Florida Statutes, Chapter 79-106:

> The board shall be composed of nine members and shall include three major health-care purchasers including at least two representatives of the health insurance industry, three health-care providers, including at least two hospital administrators, and three consumers, one of whom shall represent the elderly. The Insurance Commissioner, the President of the Senate, and the Speaker of the House of Representatives shall appoint the board. The Insurance Commissioner shall appoint one major health-care purchaser, one health-care provider, and one consumer who represents the elderly. The President of the Senate and the Speaker of the House of Representatives shall each appoint one

[2] *U.S. Department of Health, Education and Welfare, Health Care Financing Agency.* Health Care Financing Review, *1979.*

major health-care purchaser who represents the health insurance industry, one health-care provider who shall be a hospital administrator, and one consumer.

The intention of the provider-consumer-purchaser mix of board members is to ensure that decision-making is representative of the health care system. Hospitals and physicians provide patient care services to the community they serve and a large part of the resultant hospital charges is paid by insurance companies. However, the complexity of hospital functions, particularly fiscal operations, and multiple external or environmental factors (e.g., health care planning) defy a simplistic definition or understanding of the hospital in today's health care system. As a result, the legislation enables the board to employ a full-time staff and retain consulting services to assist in carrying out its activities.

Duties and responsibilities of the new board are as follows:

1) Require the submission by hospitals of financial and accounting data necessary to conduct budget reviews. Data to be requested are to include, but not be limited to, operating expenses, charity and bad debt write-offs, interest charges, depreciation expenses, and a current schedule of hospital charges. The Board is empowered to review and investigate current or projected hospital budgets, rates, and charges. It is encouraged to establish statistically based measures of comparison and is required to publish and disseminate to the public an annual in-depth study comparing hospital rates and charges on a county and statewide basis. Further, the board is authorized to review the budget of any hospital at a public hearing if it finds the hospital's rates and charges or other statistical indicators are in the upper 20 percent of all hospitals in its class or group.
2) Take into account recommendations of appropriate health systems and state health planning agencies when reviewing hospital budgets to ensure compliance with the Health Facilities and Health Services Planning Act.
3) Conduct studies and provide findings to the Department of Health and Rehabilitative Services with respect to financial feasibility of applications for certificates of need as defined in health planning legislation. In addition, the board is to make recommendations to health systems agencies with regard to requests for new capital expenditures.
4) Advise on the integration of the requirements of state health care cost containment efforts with other state health regulations, such as certification of need and federal requirements pertaining to the delivery of services.
5) Undertake analyses and studies relating to hospital health-care costs and consult with and make recommendations based on these efforts to the Insurance Commissioner.

Uniform system of financial reporting

One of the most significant features of the new legislation is the requirement the board adopt a uniform hospital financial reporting system.

On a national level, the Department of Health and Human Services (HHS) is also preparing a uniform reporting system to monitor the more than $25 billion paid annually to the nation's hospitals by Medicare and Medicaid. The federal system, now titled Annual Hospital Report (AHR), is required by the Medicare/Medicaid Anti-Fraud and Abuse Amendments of 1977, Public Law 95-142. In recognition of this situation, efforts have been made by the Florida board to modify the requirements of the state reporting system to conform with AHR requirements so hospitals will not have to prepare duplicate data for two different reporting systems.

Florida's use of a uniform reporting system for reviewing hospital costs and rates is not unique. Hospitals in twenty-eight states report information in a uniform fashion to some agency or body which collects the data for use in a rate review process. Thirteen states have legislated rate review programs. Of these, nine actually set rates and four have only advisory powers. Fifteen states have voluntary (nonlegislated) programs and of these, thirteen have rate-setting authority, normally through the local Blue Cross plan.[3] The complexity of the related reporting systems ranges

[3] *Emily Friedman, "State Rate Review: The Ultimate Numbers Games," Hospitals, Journal of the American Hospital Association, 54:5 (March 1, 1980), pp. 57-62*

from a brief, simplistic document in Oregon to New York's voluminous, intricate report based on the System for Hospital Uniform Reporting (SHUR).

The basic data reported by hospitals are similar in most programs, typically including schedules for revenues, expenses and statistics at the department level. Most states also require hospitals to file audited financial statements and Medicare cost reports to verify the data. Certain states even require the use of uniform accounting systems so data can be compared among institutions.

Some reporting requirements which differ widely include rate and charge information, health planning statistics, and patient care information. These requirements typically are designed to gather specific data the rate-review agency needs to focus on an issue peculiar to a state's hospital industry. For example, rate and charge information is largely ignored in states where the predominant method of payment is per diem reimbursement.

The Florida legislation requires the uniform reporting system to include the following features:

1) Classification of hospitals according to characteristics including but not limited to size, services offered, cost centers, and duration of care.
2) Acquisition of financial data which reflect the average bill per day, average bill per stay, and degree of cross-subsidization by cost center (i.e., the practice of charging patients treated in high-volume, low-cost departments at a rate that covers the losses incurred in low-volume, high-cost hospital departments).
3) Differentiation of costs for patient-related services from those incurred in education, research, charitable activities and other nonpatient-related activities.
4) Disclosure of the content of hospital reports to the public, except privileged medical information.

To ensure that information received by the board is complete and accurate, the law further gives the board the right of inspection of hospital books, audits, and records, including records of individual or corporate ownership. It is important to note that the Florida board is not empowered to approve hospital rates but is limited to review and comment only. This limitation is consistent with the state legislature's historic opposition to mandatory rate-setting programs like those in Massachusetts, Maryland, and New Jersey.

Cost of compliance for hospitals

The Health Care Financing Administration of HHS contends that the new federal AHR (Annual Hospital Report) system mentioned earlier will cost an average hospital $5,300 a year. Unfortunately, no summary of reporting costs for all the state systems exists, and therefore hard data are not available for use in cost/benefit analysis on a state level. However, a controversial report prepared by the Hospital Association of New York State argues that the cost of new regulations imposed on hospitals by all levels of government grows at the rate of 4 percent a year.[4] While this report has been criticized for exaggerating the negative effects of regulation, there is no doubt that even the least demanding reporting requirement places an additional fiscal burden on a hospital.

Three elements of cost will be incurred by Florida hospitals complying with the reporting requirements of the new cost-containment legislation. First, program development costs to be shared by the hospitals are estimated to be $230,000, including consulting fees, travel expenses for the board and staff, and routine operating expenses. Second, the initial annual operating budget for the Hospital Cost Containment Board is projected to be $905,000. Revenue to support development and ongoing costs of the program will come from assessments against hospitals not to exceed 0.04 percent of each hospital's annual gross operating costs.

The third cost element, and the one that concerns hospitals the most, is the additional internal administrative cost to satisfy reporting requirements. The economic impact statement published by the board states that start-up costs for each hospital are estimated to be $7,500 and ongoing costs $3,200 per year. On a statewide basis this would amount to approximately $2 million for the first year and $820,000 for subsequent years, not including adjustments for inflation. Since these figures are based on a limited pilot study of eight

[4]*Roger M. Battistella and Steven R. Eastaugh, "Hospital Cost Containment: The Hidden Perils of Regulation," Bulletin, New York Academy of Medicine, 56:2 (January/February, 1980), pp. 62-79.*

hospitals in the state, a more accurate accounting for compliance costs is needed. In addition, the estimates do not include training costs, the cost of responding to questions from the board related to improper submissions, or costs a hospital would incur if its officials were asked to appear at a public hearing.

Other issues and questions

In 1978 the Colorado legislature created a hospital commission to develop a system for regulating hospital budgets and rates, then terminated it on March 1, 1980. Can Florida's Cost Containment Board expect a different fate?

At this point a positive response seems in order. Although many of the tasks and responsibilities of the two agencies are similar, their purposes are quite different. The Florida board is not attempting to regulate but rather to monitor fiscal activities of the state's hospitals. Further, the former chairman of the Colorado Hospital Commission argues that most of the problems associated with the commission's demise were related to implementing a new system in too short a time.[5] The legislation that created the commission in 1977 also provided for its elimination in 1980. The Florida board, however, is not under a legislated time constraint. Finally, the Florida board has the benefit of learning not only from the Colorado experience but from the twenty-seven rate-review programs in other states.

One of the most difficult problems facing the Florida board will be living up to the expectations of those who supported the new cost-containment legislation. Proponents of state-level rate review maintain that it can provide a more reliable plan of rate-setting or review than a federal program would allow; it can increase hospital productivity by identifying and reducing wasted resources; and it can benefit the health care industry by ensuring that health care services are provided in an efficient and effective manner.[6] However, the actual achievement of those objectives has been mixed. After studying nearly one-third of the state rate-review programs, one surveyor reported:

> Hospitals complain of bureaucracy, cost of compliance inequities of every kind, and in some cases the possibility of bankruptcy. Regulators accuse hospitals of being recalcitrant, picky, and spendthrift. And, in some cases, a high degree of cooperation among regulators and hospitals has evolved.[7]

Records of public hearings to date confirm the existence of conflicting interests and concerns between the board and the Florida hospitals it is to monitor. The question of whether the ongoing relationship will be an adversarial or a cooperative one remains to be answered.

As discussed earlier, the inability to accurately measure the cost to Florida hospitals of the new legislation concerns the hospital industry. What is more irritating to the hospitals, however, is the ironic twist that they must pay, through assessments, for something they do not particularly want. Board members are not pleased with this arrangement either, as they are often sarcastically reminded by hospital representatives that they are "working" for them. However, until the legislature feels it can convince the public that it must spend money to save money, it appears the board and the hospitals will have to live with the situation as it is.

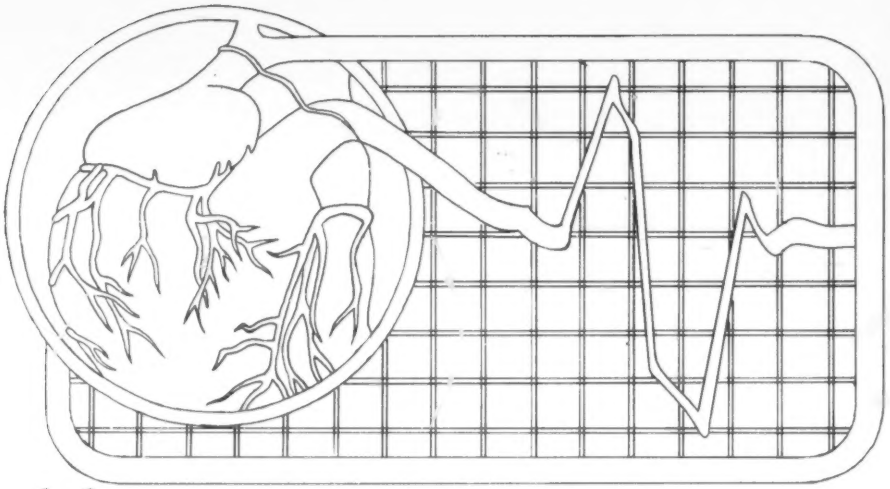
Finally, the "hole in the dike" question remains. If hospital costs are further contained, will the costs of another component of the health care system increase? For example, if hospital rates are constricted, will physicians, whose rates are uncontrolled under the legislation, take on contract service arrangements for hospitals and bill patients directly at equivalent or higher rates? Will less charity care be rendered by hospitals in an effort to reduce expenses and contain rates, leaving the public with a new problem to solve? Will the pressure on hospitals to stay in the 80 percent cost category of all hospitals result in an upward shift of the average cost of the majority?

The new cost-containment legislation in Florida faces a questionable future. If the systematic forces of the health care system react unfavorably overall, costs may not be contained and may even increase. If the Cost Containment Board can serve as an effective catalyst rather than suppressor of continued voluntary efforts of hospitals, the state may produce a model solution for the complex national problem of containing health care costs.

[5] Barry W. Singleton, "Hospital Budget and Rate Regulation: Why Colorado Failed," Hospitals, Journal of the American Hospital Association, 54:5 (March 1, 1980), pp. 63-66.

[6] American Hospital Association, State-Level Review and Approval of Budgets for Health Care Institutions (Chicago: American Hospital Association, 1978).

[7] Friedman, "State Rate Review."



Delivering health care services to specific segments of the population

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During the past decade there appears to have been a growing commitment by governmental and nongovernmental groups to improving the quality of life for handicapped and disabled persons. There has been a significant increase in the number and quality of facilities providing effective rehabilitation programs.

Perhaps this trend is best reflected in the growth, acceptance and recognition of the Commission on Accreditation of Rehabilitation Facilities (CARF). Just as the Joint Commission on Accreditation of Hospitals (JCAH) is accepted by most providers of health services as the major quality-control intermediary for hospitals, CARF serves a similar function for rehabilitation facilities. It is also a major source of reliable information on trends in the delivery of rehabilitation services at national, state and local levels.

President Carter recognized CARF for its leadership role in a letter reproduced below.

THE WHITE HOUSE
WASHINGTON
May 31, 1979

To the Commission on Accreditation
of Rehabilitation Facilities

Rosalynn and I have long had a special concern for our fellow citizens who are handicapped or disabled, whether physically or emotionally. We join in commending the Commission on Accreditation of Rehabilitation Facilities, its sponsoring organizations and staff, for having significantly upgraded the delivery of rehabilitative programs over the past thirteen years.

Because of these nationwide efforts, which involve the cooperation of a great many people, handicapped persons can enjoy a richer and fuller life. Many citizens who were without hope are now taking their places as productive members of society.

The Commission has emphasized human services of the highest quality and has established standards, evenly applied, to ensure the effectiveness of those services.

We are pleased to send you our best wishes for continued success in the years ahead.

Sincerely,

Jimmy Carter

CARF is a private nonprofit organization established to adopt and apply accreditation standards in rehabilitation facilities throughout the nation. It is sponsored by the American Hospital Association, Goodwill Industries of America, Inc., Association of Rehabilitation Facilities, National Easter Seal Society for Crippled Children and Adults, National Rehabilitation Association and the National Association of Hearing and Speech. Programs which the Commission surveys and accredits are found in freestanding facilities and rehabilitation programs operated as units of larger institutions such as hospitals, medical centers, etc., and private nonprofit, proprietary and public-agency-operated facilities. At the beginning of 1970, CARF had accredited 89 rehabilitation programs in 53 separate facilities. At the close of the decade CARF reported its accreditation of 1,900 pro-

Table 1.—Rehabilitation programs accredited by CARF

Region number	States	1979	1978	1977
I	Connecticut	9	7	7
	Maine	5	5	3
	Massachusetts	32	28	25
	New Hampshire	2	2	2
	Rhode Island	8	8	4
	Vermont	1	1	1
	Region I total	57	51	42
II	New Jersey	26	22	17
	New York	25	24	23
	Puerto Rico	1	1	1
	Virgin Islands	0	0	0
	Region II total	52	47	41
III	Delaware	6	6	7
	District of Columbia	1	1	1
	Maryland	3	3	3
	Pennsylvania	31	38	35
	Virginia	2	2	1
	West Virginia	1	1	1
	Region III total	44	51	48
IV	Alabama	14	15	13
	Florida	34	32	20
	Georgia	21	21	22
	Kentucky	24	24	14
	Mississippi	16	16	14
	North Carolina	11	10	8
	South Carolina	8	5	5
	Tennessee	16	17	14
	Region IV total	144	140	110
V	Illinois	75	45	19
	Indiana	11	10	9
	Michigan	63	49	27
	Minnesota	5	5	5
	Ohio	56	54	51
	Wisconsin	48	45	39
	Region V total	258	208	150
VI	Arkansas	1	1	3
	Louisiana	3	4	6
	New Mexico	1	1	2
	Oklahoma	2	2	3
	Texas	19	20	18
	Region VI total	26	28	32
VII	Iowa	14	13	13
	Kansas	10	7	5
	Missouri	13	13	15
	Nebraska	5	4	2
	Region VII total	42	37	35
VII	Colorado	11	10	12
	Montana	9	9	9
	North Dakota	1	1	1
	South Dakota	1	0	0
	Utah	3	2	0
	Wyoming	1	1	1
	Region VIII total	26	23	23
IX	Arizona	5	4	4
	California	111	113	110
	Guam	0	0	0
	Hawaii	5	5	7
	Nevada	4	4	3
	Region IX total	125	126	124
X	Alaska	1	3	3
	Idaho	9	5	6
	Oregon	4	4	4
	Washington	31	27	34
	Region X total	45	39	47
Total number of accredited facilities		819	750	652

Source: Commission on Accreditation of Rehabilitation Facilities, 1980.

grams in 819 facilities in all fifty states and Puerto Rico. The distribution of CARF-accredited facilities by state and region as of December 31, 1979, compared to December 31, 1978, and December 31, 1977, illustrates the increasing emphasis placed on delivering quality services to the handicapped and disabled (see Table 1).

Rehabilitation facilities voluntarily seek CARF accreditation just as a hospital voluntarily seeks JCAH accreditation. Thus, the number of accredited facilities does not accurately reflect the full extent of services to handicapped and disabled persons. However, because it is usually in the best interests of a facility to be fully accredited, activities of CARF can be interpreted as reflecting a dramatic increase in the delivery of quality services to the handicapped and disabled. Being accredited is a concrete way in which a facility can respond to the accountability issue and can demonstrate to its public its interest and concern for continually improving the services which it provides. Through accreditation the facility can show that it meets nationally adopted and accepted standards for high-quality services. Accreditation by CARF is becoming a hallmark which is looked for by third-party purchasers of rehabilitation services such as state agencies and insurance carriers. Thirty-seven state vocational rehabilitation agencies have adopted CARF's standards and accreditation for rehabilitation facilities.

It is relevant to note that the Florida Division of Workers' Compensation was the first in the nation to adopt CARF standards as the criteria for approval to provide rehabilitation services to the industrially injured. This decisive action followed a series of significant developments in Florida. As early as August, 1978, committees of both houses of the Florida Legislature met to discuss plans for changes in the state's forty-five-year-old Workers' Compensation Law. Seminars were conducted with invited speakers from throughout the nation to assist in the in-depth review of the legislation. A 1979 bill entitled The Wage-Loss Concept of Workers' Compensation is dramatically changing practice in the state. The law mandates a monitoring of all rehabilitation services. It requires the Florida Division of Workers' Compensation to "investigate and maintain a directory of all qualified rehabilitation facilities and agencies, both public and private." The Florida Workers' Compensation Agency turned to CARF to take advantage of its national standards and experience in onsite surveying. The decision is viewed as a significant step in Florida's efforts to serve its more than one-half-million citizens who are injured each year.

A rehabilitation facility provides integrated and coordinated services directed toward the physical, emotional, mental, social, and vocational restoration and adjustment of handicapped or disabled children and adults. The services include evaluation, treatment, education, training, and placement provided by personnel especially qualified in various phases of the rehabilitation process.

This conceptual definition represents an ideal for a rehabilitation facility and there is probably no single facility that now provides all types of rehabilitation programs at every stage in this continuum.

A particular facility may be accredited to offer any of seven programs. They are as follows:

1. **Physical Restoration**—to upgrade physical function and enable an individual to achieve a better social adjustment or to get a job.

2. **Speech Pathology**—to apply speech evaluation and therapy and other restorative services to enhance communication skills.

3. **Audiology**—to apply audiological evaluation and treatment and other restorative services to enhance communication skills.

4. **Personal and Social Development**—to provide advocacy, personal, and/or social development services to enable people to live independently in their community. Types of programs include but are not limited to independent living programs, residential and group home programs, halfway houses, habilitation programs, and psychosocial centers.

5. **Vocational Development**—to apply vocational services such as evaluation, work adjustment, job placement, train-

ing, transitional or interim employment, to enable a person to obtain competitive employment.

6. **Sheltered Employment**—to provide remunerative employment for an indefinite time to individuals who cannot meet the standards of the competitive labor market.

7. **Work Activity**—to provide a goal-oriented program of therapeutic activities to enable individuals to get competitive employment, enter other rehabilitation programs such as sheltered employment, or become more independent.

As Table 1 showed, there are 819 facilities CARF-accredited to offer one or more of these seven programs. The largest number (258) is in Region V (Illinois, Indiana, Michigan, Minnesota, Ohio and Wisconsin). The next largest number (144) is in Region IV, which includes Florida with 34 accredited facilities.

Facilities accredited for programs in Physical Restoration, Speech Pathology and Audiology can be classified as *medically-oriented* and those accredited for programs in Personal and Social Development, Vocational Development, Sheltered Employment and Work Activity as *vocationally-oriented*.

Twenty-four percent of the CARF-accredited facilities in Florida are *medically-oriented*. Examples are the Cathedral Health and Rehabilitation Center in Jacksonville, the Crippled Children's Society and Rehabilitation Center for Children and Adults in Palm Beach, and the Curtis Nixon Rehabilitation Center in Tampa.

Sixty-four percent of the accredited facilities in Florida are *vocationally-oriented*. Examples are the Work-Oriented Rehabilitation Center in Daytona Beach, the Sheltered Workshop for the Handicapped in Lakeland, the Goodwill Industries of South Florida in Miami and the Pinellas Association for Retarded Children in St. Petersburg.

Twelve percent of Florida's accredited facilities have programs that are both *medically-oriented* and *vocationally-oriented*. They are the Rehabilitation Institute of West Florida in Pensacola, the Happiness House Rehabilitation Center in Sarasota, the Easter Seal-Rehabilitation Center in Tallahassee and the McDonald Training Center Foundation in Tampa.

While no conclusions can be reached regarding Florida's relative position with other states in providing programs of a rehabilitative nature, it is apparent in terms of accreditation status that the national trend toward an increased commitment to the delivery of quality services to the handicapped and disabled is being followed in Florida.

Mental health is a term used to include such a range of factors that it defies a standardized definition. Approximately one in every ten persons in the United States suffers from some form of mental or emotional illness.

State planners cannot provide concrete data on the number of Floridians suffering some form of mental illness. State estimates do indicate there are approximately 273,972 persons in Florida classified as mentally retarded. In recent years, government policy at both federal and state levels has emphasized programs of deinstitutionalization of patients into community-based programs. The six Sunland Centers for the mentally retarded located in Marianna, Miami, Tallahassee, Gainesville, Fort Myers, and Orlando now have approximately 4,300 residents. The four facilities in the State Mental Hospital System (Florida State Hospital, G. Pierce Wood Memorial Hospital, Northeast Florida State Hospital and the South Florida State Hospital) had approximately 6,000 residents at the end of the year.

Other special segments of the population such as tourists, migrant workers, Hispanics and Indians should be alluded to. There are very few facilities specifically constructed and staffed to provide services to these groups. Instead, the emphasis is on providing financial assistance to members of these groups and to health care facilities which provide services to them. In a March, 1980, issue of "The Nation's Health" it was reported that federal assistance to facilities providing services to the estimated two million seasonal farm workers in the United States would amount to approximately $45 million in 1980. In Florida there is no systematic means for administering and allocating the minimal programs and funds which do exist. Thus, little information is available regarding present efforts to deliver services to these other segments of the population.

Health care for the elderly: a state challenge

There is general acceptance of the idea that the next major crisis in health care in this country will be that associated with the needs of the elderly.[1] Although this problem is national, nowhere will its impact be felt more sharply than in Florida. Several associated factors contributing to this problem are the state's geographic location, changes in the number of retirement-age persons as a percentage of total population, modern medical advances leading to increased life expectancy, the traditional "crisis intervention" orientation of the current health care system, and health care costs. Considered individually, each of these factors presents a particular set of problems to the state in its attempt to meet the health care needs of the aged. When considered in combination, these same factors take on a "multiplier effect" which threatens to wreak havoc on the present health delivery system.

As the sunbelt state located closest to the heavily populated areas of the industrialized Northeast, Florida has historically experienced a significantly higher influx of retirees than any other state. When this influx of older persons is combined with the recent trend of increased life expectancy, the number of elderly persons as a percentage of the total state population is dramatically increased. For Florida, the percentage of elderly in the total population is more than 50 percent greater than that for the rest of the nation (see Table 1). The number of senior citizens as a percentage of Florida's population can be expected to increase throughout the rest of this century, with a resulting aged population in the state more than double the national average by the year 2000.

Not only does Florida face a near crisis in providing health care for the elderly because of the sheer numbers of persons to be served, but the state must also deal with the impact of the current uneven distribution of both the aged population and the facilities intended to serve them, as Table 2 shows. Areas such as the "gold coast" of southeastern Florida, the lower Gulf Coast-Tampa Bay area, and central Florida (Orlando and Daytona Beach-Halifax) are particularly hard-pressed to meet the health care needs of the elderly who constitute a significantly higher proportion of the population there than in the rest of the state. As new retirement-age persons migrate to these areas, the problem is likely to become even more critical.

Robert N. Butler, director of the Institute on Aging, recently described some of the problems associated with the extension of life expectancy through medical advances.[2] During

Table 1.—Population growth projections for the United States and Florida through the year 2000

Year	Estimate April 1, 1979	1985	1990	2000
Total				
United States	218,548,000[1]	228,912,000	237,028,000	248,372,000
Florida[2]	9,234,219	10,810,800	11,978,100	13,658,200
65 years and older				
United States	24,054,000[1]	27,244,000	29,690,000	31,451,000
Florida	1,634,120	2,185,472	2,644,333	3,560,708
Percentage of population age 65 and older				
United States	11.0[1]	11.9	12.5	12.6
Florida	17.7	20.2	22.0	26.0

[1]United States population estimates for July 1, 1978.
[2]Florida population growth estimates were developed by use of the "Least Squares" regression method.
Sources: University of Florida, Bureau of Economic and Business Research, Florida Statistical Abstract, 1979; U.S. Bureau of the Census, Statistical Abstract of the United States, 1979, (100th edition) Washington, D.C., 1979

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[1]*Robert N. Butler, "Meeting the Challenges of Health Care for the Elderly," Journal of Allied Health, 9.3 (August, 1980), pp. 161-68.*
[2]Ibid.

Table 2.—Distribution of skilled nursing facilities and primary service population by Florida Health Systems Agency regions

HSA region	Population age 65 and older	Percent of population age 65 and older	Number of facilities[1]	Number of beds[2]	Beds per 1,000 population age 65 and older	Number of beds +/- state goal[3]	Percent of bed +/- state goal
I	74,276	8.9	24	2,421 (168)	32.6	+417	+5.6
II	100,557	16.4	22	2,045 (14)	20.3	-670	-6.7
III	127,444	13.4	41 (2)	3,866 (366)	30.3	+425	+3.3
IV	400,441	24.1	89 (4)	8,536 (586)	21.3	-2,275	-5.7
V	98,825	10.8	30	3,108 (58)	31.4	+440	+4.4
VI	210,647	22.7	38	3,793 (240)	18.0	-1,894	-9.0
VII	163,026	20.9	29	2,809 (132)	17.2	-1,593	-9.8
VIII	203,609	21.1	23	2,498 (57)	12.1	-2,999	-14.9
IX	255,051	16.2	38	5,411 (48)	21.2	-1,475	-5.8
State	1,634,120[4]	17.7	334 (6)	34,487 (1,669)	21.1	-9,624	-5.9

[1]Intermediate care facilities are noted in parentheses but are not counted in the facility totals.
[2]Intermediate care beds are noted in parentheses but are not counted in the bed totals.
[3]Florida's State Comprehensive Health Plan has set a goal of 27 skilled-nursing beds per each 1,000 persons 65 years of age and older.
[4]Detail does not add to total due to rounding.
Sources: University of Florida, Bureau of Economic and Business Research, Florida Statistical Abstract: 1979; Department of Health and Rehabilitative Services Office of Licensure and Certification, Jacksonville, 1980.

the past decade, the average life expectancy for all ages has increased from 67 to 72 years. Additionally, the average remaining years of life for people aged 65 or older has increased from 7 to 12 years, with ranges as great as 20 or more years for certain sex and race categories.[3] In Florida, with its mild climate and few geophysically produced life-threatening factors, it can be assumed that the impact of increased longevity will continue and perhaps be somewhat greater than the national average during the remainder of this century. What all this means is that with an already large retirement-age population and with a realistic expectation for a significant increase in this age group over the next twenty years, Florida must give serious thought to how, where, and what health care services can and will be provided this group.

It has long been recognized in the health care industry that older persons require more health care of a greater variety than most other members of society. Not only do they require more health care services, but their needs will continue to increase in the forseeable future. These demands are also of a different type than those which the health care industry was designed to meet. Where health care generally is acute-care oriented, the aged population has an equally great, if not greater, need for chronic, preventive, rehabilitative and/or custodial types of health care services. The traditional hospital is not prepared either by design or by service offerings to meet these particular types of needs.

Whether by design or default, the primary burden of providing health care for the aged has fallen to the nursing homes in the state. In recognizing this unique service role of the nursing homes, the State Health Planning Council established as one of its primary goals the availability of twenty-seven skilled nursing home beds for each 1,000 persons 65 years of age or older.[4] Even if the state achieved this bed-population ratio goal, Florida would continue to lag almost 50 percent behind the national goal of fifty-one beds per 1,000 persons 65 years of age or older.[5] And there are serious if not insurmountable problems to be faced in achieving the state's goal ratio (see Table 2).

With a current statewide bed-population ratio of 21.1:1000, Florida has a serious shortage of skilled-nursing-care beds. Further, based on the growth trends described earlier, this problem will become more acute during the remainder of this century (see Table 3). Without any replacement of existing beds and/or facilities, there will be a need for more than 61,000 new skilled-nursing-care beds by the year 2000 just to meet the present state goal. When one adds to this an extended life expectancy and a continued increase in use of skilled nursing facilities among the aged, there can be little doubt that the next health care crisis in Florida will be the provision of long-term skilled nursing care services to the aged.

The types and number of personnel needed to provide skilled nursing care serv-

[3]*U.S. Bureau of the Census. Statistical Abstract of the United States 1979 (100th edition) Washington, D.C., 1979*

[4]*State Health Planning and Development Agency. State Comprehensive Health Plan for Florida. Tallahassee, 1979*

[5]*U.S National Center for Health Statistics. Vital and Health Statistics. Series 12 and 13, and unpublished data. Washington, D.C., 1979*

ices to the aged reflect two unique trends which will continue for the next twenty years and will heavily influence the state's ability to provide special types of geriatric patient services.

First, while the national trend has been a steady decline in the ratio of skilled nursing staff to patient population, this trend has been reversed in Florida. Nationally, from a high of 66.3 employees per 100 patients in 1973, today there are fewer than 50 employees per 100 patients, representing a staff-patient ratio of less than 1:2. In Florida, the recent trend has been a steady increase in the staff-patient ratio during the same time from 35 employees per 100 patients (a ratio of 1:2.85) to 62 employees per 100 patients, a ratio of 1:1.6.[6] Based on current staffing ratios, there is a projected need for 60,075 nursing home personnel by the year 2000.[7]

Second, as new technologies and services become available to nursing home clients, there will undoubtedly be an increase in the demand for such services and the personnel necessary to provide them. This, coupled with the anticipated service population growth, indicates acute shortages of health care personnel in the areas of nursing, physical therapy and medical social work. Should this occur, a rapid increase in salaries within these professions can be anticipated as well as other incentives to lure workers into this area of health care, thus increasing the costs of services to the consumer and the taxpayers of the state.

Resources to meet the rising demands for skilled-nursing-facility care have been inadequate both nationally and in Florida. For an idea of the crisis proportions of this facet of the general problem of health care for the aged, consider the fact that nationally an average of slightly more than $9.00 per person is expended annually on nursing home service. Florida, with an annual per capita expenditure of $4.40, spends less than half the national average. When viewed as an expenditure per unit of relevant service population, the figures become even more shocking with Florida expending slightly more than one-fourth the national average.[8]

What these data indicate is a serious deficit in facilities, services and personnel to meet the health care needs of a large and growing percentage of the state's population. Whether or not there is an interest in and/or willingness to expend the resources to meet this challenge remains to be seen. One obvious fact is that the demands for service will not diminish in the forseeable future.

Table 3.—Projected new facility and bed needs based on anticipated population growth

	April 1, 1979	1985[1]	1990[1]	2000[1]
Number of beds needed to meet state goal #37[2]	44,121	58,995	71,388	96,120
Number of new beds needed	9,624	24,546	36,889	61,671
Number of new facilities needed[3]	80.3	204.5	307.4	513.9

[1]Column totals are cummulative.
[2]Goal #37 of Florida's Comprehensive Health Plan calls for 27 skilled-nursing beds per 1,000 persons over 65 years of age.
[3]Projected new facility needs are based on an optimal operating size of 120 beds per institution.

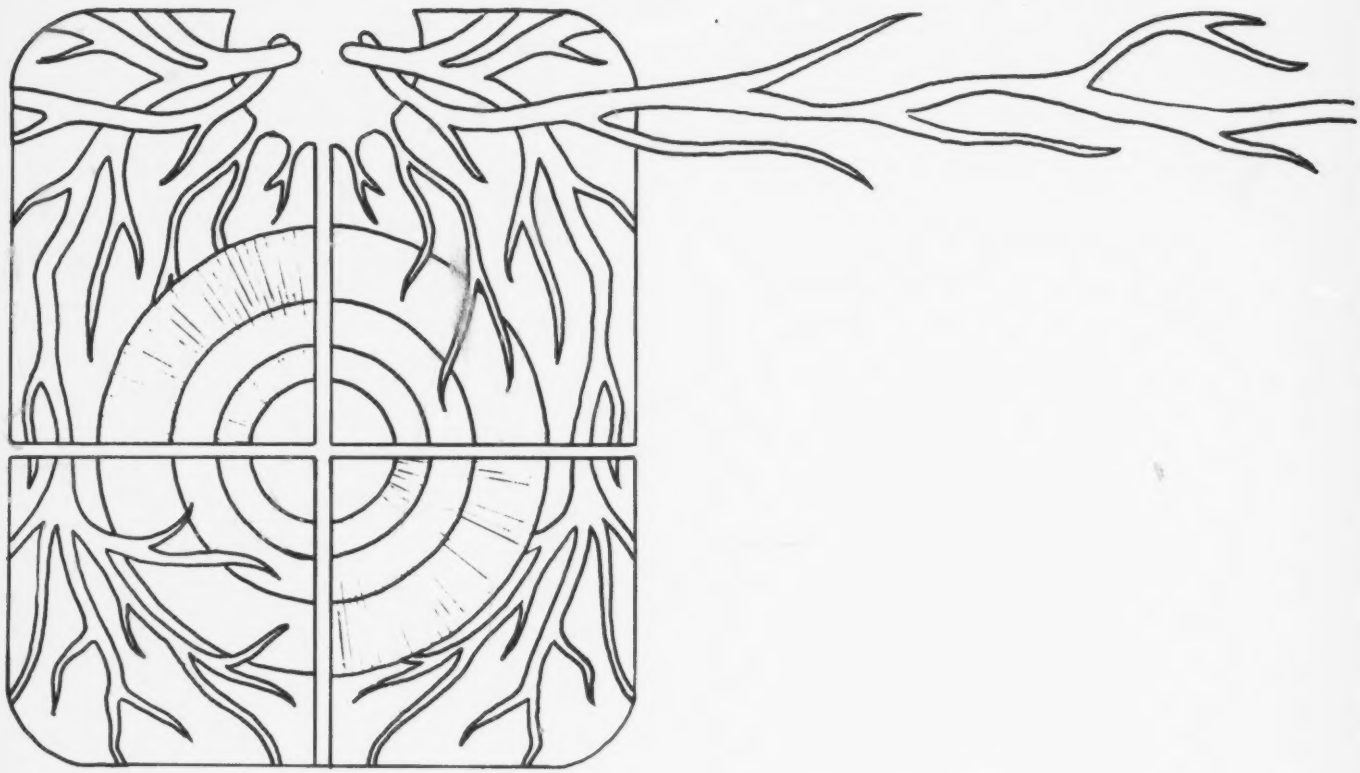
Conclusions

Undoubtedly there are other contributors to the problems associated with providing health care services to the aged than those discussed here. However, those noted above are readily documented, are solvable, and the solutions can be implemented should the state so choose. First, there is a need for a state as well as a national policy regarding care for the aged. This need is in addition to the inclusion of a few generally stated goals in the state comprehensive health plan. Second, there is a need for a comprehensive, long-range health care plan specifically oriented toward meeting the needs of the state's senior citizens. This plan should be merged into the state's comprehensive health plan but should also be distinct from the state plan as a means for addressing the unique health care needs of this growing segment of the state's population. Finally, there is a need to make long-range financial and personnel commitments toward providing an adequate range of services to the aged of the state with a recognition that both the service population and the service offering are growing at a rapid rate with little expectation for a reduction in either growth rate during the rest of this century.

[6]*U.S. Bureau of the Census.* Statistical Abstract of the United States: 1979, *p. 116.*

[7]*This figure is based on a staff-patient ratio of 1:1.6 and a maximum patient population of 96,120—or 100 percent occupancy of all beds if state goal #37 is met.*

[8]*Stephen J. Williams and Paul R. Torrens.* Introduction to Health Services *(New York: J. Wiley & Sons, 1980), pp. 177-81. U.S. Bureau of the Census.* Statistical Abstract of the United States: 1979, *p. 112. Bureau of Economic and Business, University of Florida.* Florida Statistical Abstract 1979 *(Gainesville, Florida: University Presses of Florida, 1979).*



Health planning and policy issues: 1980-2000

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Recent events in the health sector as well as more general social trends suggest that health planning and policy over the next two decades will emphasize the maximal use of finite resources. Except for the fading possibility of some kind of national health insurance system, it would appear that large new programs or significant infusions of new funds to the health care sector are unlikely. The population is aging and therefore service requirements, especially in long-term and chronic care, are likely to increase. As a consequence, the fundamental planning and policy issues of the eighties and nineties will emphasize the allocation of limited resources to the satisfaction of increasing needs. This effort will in all likelihood have three major thrusts.

Obviously, programs directed toward cost containment will increase and legislated requirements will become more specific.

On a second front, "rational" allocation and distribution of services (as distinct from efforts to increase the supply of services) will command an increasing portion of the total effort directed toward health policy formulation and health system planning. An example of this shift in emphasis is the problem of health services delivery to rural residents whose access to urban centers is increasingly influenced by transportation costs.

The third focus will be in the area of consumer health behavior; i.e., the reduction of health risk factors and the improvement of self-care skills in response to mounting evidence that the most significant im-

Figure 1.—Florida Health Systems Agencies

1. Florida Panhandle HSA
2. North Central Florida Health Planning Council
3. HSA of Northeast Florida
4. Florida Gulf HSA
5. HSA of East Central Florida
6. South Central Florida Health Systems Council
7. Health Planning Council
8. Health Planning and Development Council of Broward County
9. HSA of South Florida

provements in health will come from lifestyle changes in such areas as diet, smoking behavior, exercise, a more health-conscious population, and the desire to control costs associated with professional care of chronic disease.[1]

These new policy directions will be set by legislative and executive activities at the federal and state levels. They will in all likelihood be promulgated by some combination of regulatory, legislative, and fiscal activities. Unlike most national health policy in the past (such as it was) these changes in emphasis occur when, for the first time, a health planning/policy structure of some stability, permanence and consistency exists at the state and local levels. This structure merits a brief description.

In January of 1975, President Gerald Ford signed Public Law 93-641, The National Health Planning and Resources Development Act of 1974. This act included an unusually clear statement of health priorities, and established a three-point agency structure to pursue those objectives. Each state was required to designate a State Health Planning and Development Agency (SHPDA) with certain specified functions. These include, among others, (a) administration of Certificate of Need programs; (b) conducting, every five years, a review of all institutional health services to assess their appropriateness; and (c) collecting, analyzing and publishing health data. In addition to specific functions, the law outlines requirements for the state's administrative pro-

[1]In making a three-point prediction such as this, it should be acknowledged that as recently as two years ago, the present writers unequivocally would have included a fourth area—that of environmental/occupational health and safety. It would now appear that the nation's economic and ideological situation (e.g., relaxation of pollution control standards in industry, the recent Supreme Court decision differentiating a "safe" environment from a "risk-free" environment, congressional disfavor towards such agencies as OSHA and the FTC) make major initiatives in these areas less likely.

gram through policies and procedures which each state had to adopt to obtain a funding agreement with HEW (HHS).

The statute recognized the concept of local health service areas and established another, more operational agency to replace the former areawide agencies. These Health Systems Agencies (HSAs) are the fundamental operational component of the planning structure. Although their structure may vary in highly urbanized areas or sparsely populated states, the "typical" HSA is in a multicounty area with a population between 500,000 and 3,000,000, a "full range" of available health services, at least one medical center offering specialized services, and at least one urbanized area. In Florida there are nine HSAs (Figure 1), several of which have one or more sub-area divisions. P.L. 93-641 is remarkably detailed in its description of required representation of consumers, providers, etc., and in its outline of HSA activities, which can be categorized into five areas:

Development of planning documents
Promotion of institutional planning efforts
Participation in state regulatory activity
Participation in resource allocation
Advocacy of health and health systems.

The first of these occupies much of the time and energy of an HSA staff. Expressed briefly, the statute requires each HSA to "establish, annually review, and amend as necessary" two major documents–a Health Systems Plan (HSP) and an Annual Implementation Plan (AIP). Although interpretation of legislative intent and subsequent regulations is often difficult, most commentators differentiate these two documents in the following manner. The HSP is expected to be a statement of *goals* or somewhat idealized outcomes toward which the agency will work. In this sense it is a statement of priority and policy rather than a specific list of achievable targets. The AIP, conversely, is expected to detail the *objectives* and *activities* which will achieve the goals of the HSP in a defined time frame. In each document the HSA must state specific goals and objectives in quantifiable terms: "reduce the age-adjusted rate of death from coronary heart disease from 190.4 (1976) to 181.9 by 1984" instead of "reduce cardiovascular disease."

In addition to its obligations in the area of planning documents, each HSA has a major role in resource allocation. The statute requires that it "review and approve or disapprove each proposed use within its service area of federal funds." While HSA approval or disapproval may be overridden by the Secretary of HHS, it is obvious that the HSA will have significant input regarding the use of federal funds in its service area. This review applies to a wide range of health-related programs (i.e., Public Health Service Act appropriations) with limited exemptions. Since each HSA includes at least one tertiary-care hospital and most include universities, professional schools and research organizations, the dollar amounts involved here are substantial. One Florida HSA reviewed proposals representing $8,217,193 during a six-month period in 1980. Similarly, each HSA has a major role in reviews, public hearings, etc., for Certificate of Need (CON) proposals for facilities in its service area. The procedure requires that all proposed new construction or substantial change in a facility or program must obtain prior approval from the SHPDA, with the advice of the affected HSA. The onus is placed squarely on the organization proposing the change to demonstrate that the new service or facility is needed. Not infrequently, a major step in such a demonstration is an indication that the proposal is consistent with goals or objectives in the Health Systems Plan and/or the Annual Implementation Plan.

As a bridge between the more operationally oriented local HSA and the SHPDA, Public Law 93-641 also requires the establishment of a Statewide Health Coordinating Council (SHCC), a majority (60 percent) of which must be HSA representatives. This agency has three major functions:

Liaison between the HSAs and SHPDA,
Advising the SHPDA,
Coordinating the various HSA plans into a "state plan."

Taken together, these three organizations (HSAs, SHPDA, and SHCC) provide a structure for translating the previously noted policy emphases into specific plans. Notwithstanding the earlier existence of such entities as Comprehensive Health Planning agencies, Hill-Burton agencies and Regional Medical programs, the presence of a sound health planning/policy sector is a new and positive reality. However, while this structure may facilitate the development of new policies, its

existence does not ensure that such development will proceed with ease.

This is a consequence of three phenomena. The first is statutory—the agencies are required to base their decisions, objectives and assessments of progress on the analysis of empirical data. They are expected to gather data to measure the health status of the service-area population, the level of resources available, the needs of the population, etc. This requirement is a desirable attempt to prevent capricious decision-making but such measurement is expensive and difficult at best. Furthermore, the expectation assumes a highly sophisticated data collection and analysis staff with a substantial budget and access to a relatively powerful computer.

This raises the second problem. While the legislated staffing pattern of an HSA is a dramatic improvement over previous comparable organizations, there remain some obvious difficulties. Generally speaking, the agencies are unable to compete in the health-service job market for individuals with graduate-level training in health services administration and research. When high-quality individuals are recruited, retaining them becomes a problem because they are highly visible to competitive organizations.

Finally, the health planning/policy environment is influenced by an inevitable political dimension. Attempts to coordinate a complex system give rise to competing interests and efforts by affected parties to influence decisions and outcomes. In itself, this is not problematic (it may well be that policy *should* emerge from a political process) but in the present case it appears that some of the competing interests are far more powerful and deeply entrenched than others. A brief example should clarify this point. Elsewhere in this issue it is noted that Florida has, by most standards, an excess of hospital beds and a shortage of nursing home beds. In attuning the system to the needs of citizens by service allocation rather than the development of new services, it would seem rational to convert some of the hospital beds to nursing home beds. Since nursing home beds are less expensive to maintain, this would have an additional cost-containment advantage. Nonetheless, conversion of beds could be accomplished (if at all) only after protracted negotiations among various groups. Hospital administrators would be less than enthusiastic about converting to beds which produce less revenue, and would be concerned about obtaining a Certificate of Need for reconversion to hospital beds should a future situation warrant such a move. As a result, even if they were to agree in principle, administrators would probably prefer that the conversion take place in someone else's hospital. The medical community would be concerned that a reduction in available hospital beds might restrict admission flexibility. Operators of Home Health Agencies might fear that expanded placements of patients in long-term-care beds would pose a financial threat to them. Suburban and surrounding communities might worry that such conversion would reduce their own chances for obtaining a Certificate of Need to construct new nursing home facilities. Since each of these groups (and perhaps others with disparate specialized interests) is by law represented on the HSA board, it seems obvious that even apparently straightforward issues will be characterized by contention.

Attempts to project current social trends in directing policy and planning for the next two decades must also take into account a rising sentiment for deregulation of industry and curbing of the public sector's role in the marketplace. Attacks on regulation by the Interstate Commerce Commission and the Food and Drug Administration by economists (most notably Milton Friedman) and politicians suggest that planning may be in disrepute and that a desire to return to the "free marketplace" may be growing. Thus we may expect a dialogue between opponents of health planning who view it as an impediment to the free market, and proponents of planning who stress the rampant inflation in health costs which occurred prior to enactment of Public Law 93-641.

Debates seem likely during the next two decades both with regard to the basic right of government to make health policy and plan health care and with regard to the types of planning decisions rendered. In order for policy decisions and the decision-making process to continue to be accepted it seems important that planners be able to demonstrate the cost benefits of health planning. This will require careful unbiased evaluation of the planning process by parties who have no vested interest in its maintenance.

Sources of information

Since 1972, the Population Division of University of Florida's Bureau of Economic and Business Research has provided annual population estimates for the state, counties and municipalities of Florida for revenue-sharing purposes under contract to the state, and made these estimates available for distribution in the annual editions of **Florida Estimates of Population.**

For 1980, distribution of revenue-sharing funds will be based on the final Census figures; consequently, the Population Division will not be generating estimates for the year. Instead, **Florida Estimates of Population** will be replaced by a similar report which will provide final 1980-Census numbers for Florida's cities and counties. Also included will be calculations of percentage changes, most populous cities, components of population change (births, deaths, net migration), density, and other related data. Release is planned for May, 1981. The report will sell for $9.00 plus tax.

The publication of the **Population Studies** series (usually distributed in the spring and summer of each year) will be delayed because of the release of Census information. Four issues will be published during the summer and fall of 1981, including revised county population estimates for each year of the 1970s and new population projections based on 1980-Census data. Subscribers to **Population Studies** will receive these issues as part of their subscriptions.

A listing of Florida counties with their preliminary press-release 1980-Census numbers is available now.

Further information can be obtained by writing or calling the Population Division, Bureau of Economic and Business Research, 221 Matherly Hall, University of Florida, Gainesville, FL 32611, telephone 904/392-0171.

Articles from *Business and Economic Dimensions* are included in the listing of more than 2,400 separate works in the current annual **AUBER Bibliography** of the Association for University Business and Economic Research. The 304-page compilation (Volume XXIV) includes monographs and working papers not found in standard indexes as well as regional business reports, journals, conference reports, books and technical reports produced in 1979 by member institutions of AUBER and of the American Assembly of Collegiate Schools of Business (AACSB). The references are listed in three different ways: by subject, institution and author. The bibliography covers more than 125 subjects, with the largest number of entries in the categories of business and public administration, international business, marketing and advertising, regional economics, personnel management, and financial markets. The bibliography may be ordered from the Bureau of Business Research, 209 Armstrong Hall, West Virginia University, Morgantown, WV 26506, prepaid at $12.50 with checks payable to AUBER-WVU Bookstore.

As discussed elsewhere in this issue of *Dimensions*, the economic impact of the influx of older age groups into the state is of vital importance to the future development of Florida's health resources. Equally important is the impact of this unique population to the future of Florida's cultural, governmental, natural and business environments.

The migration of older people into Florida continues to be a major factor in the state's rapid population growth. The largest percentage increases in the past twenty years have been in the 60-and-older and 65-and-older age groups, which currently encompass approximately 24 percent and 18 percent, respectively, of the state's population.

Analysis and statistical breakdown of these increases appear in the third biennial edition of **Older People in Florida: A Statistical Abstract 1980-81.** Prepared by the Bureau of Economic and Business Research in cooperation with the Center for Gerontological Studies, the abstract contains information on persons aged 60 and older and 65 and older in Florida, including age, race, sex and marital distributions.

Included are data based on county, Standard Metropolitan Statistical Area, state, and national levels, divided into nine chapters: Population; Income; Employment; Vital Statistics and Health; Housing; Transportation; Social Insurance and Welfare; Quality of Life; and Health, Education, and Cultural Services.

Older People in Florida can be ordered from the University Presses of Florida, 15 NW 15th Street, Gainesville, FL 32603 for $11.50, plus $1.00 for postage and handling. (Florida residents please add 4% sales tax.)

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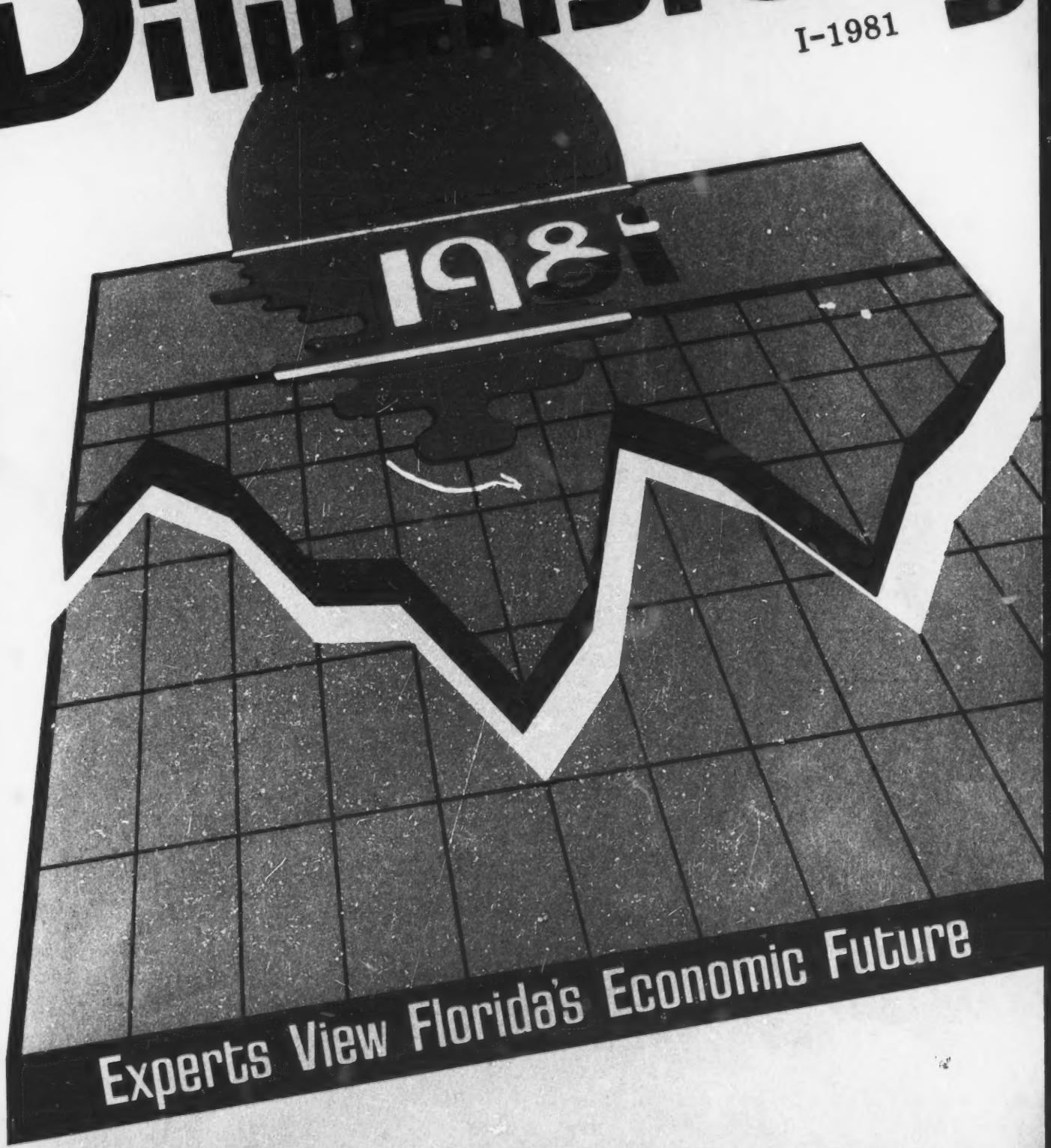

Experts View Florida's Economic Future

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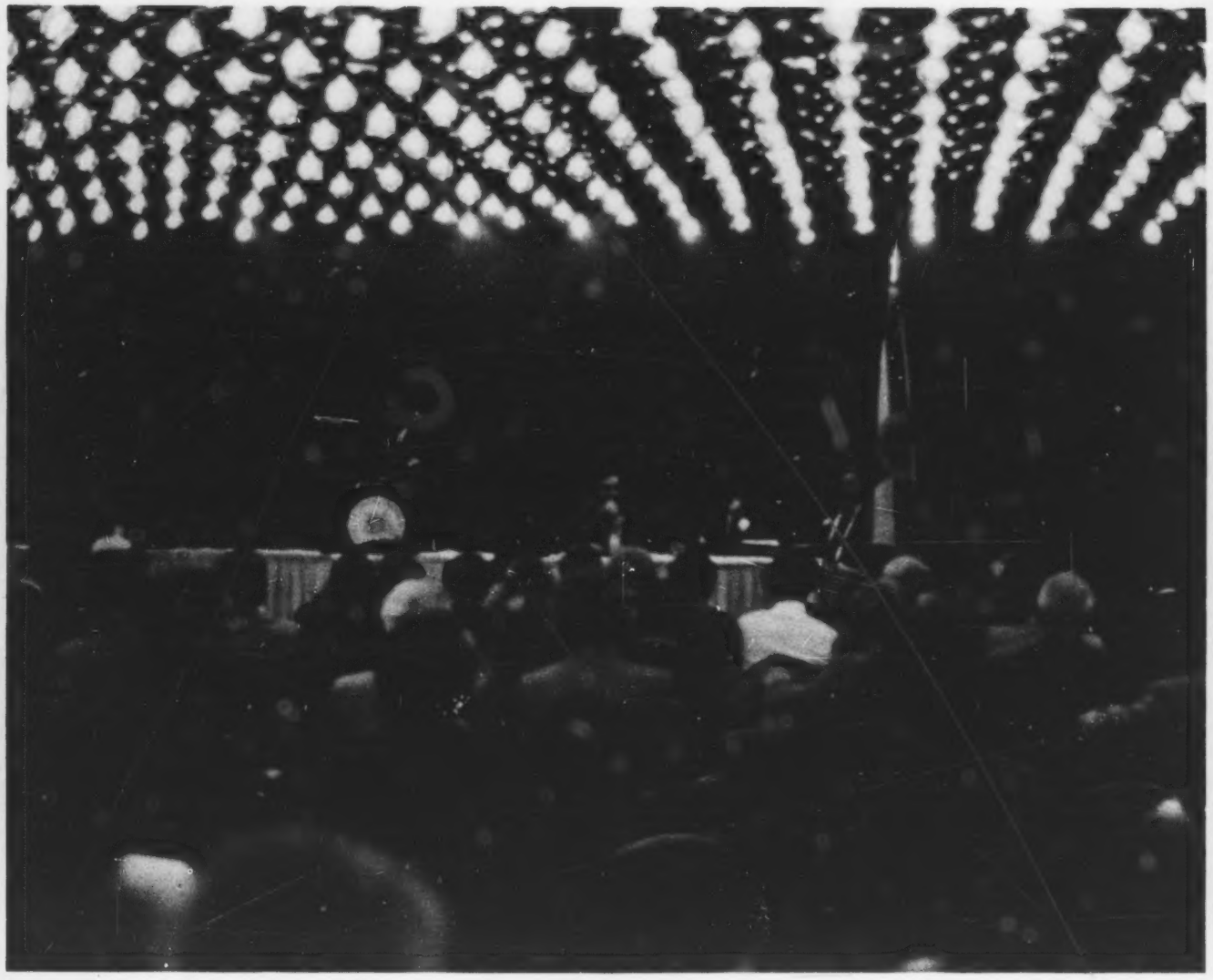

introgram

Almost before they have recovered from the "auld lang syne" of New Year's Eve, a group of Florida executives gathers together each year to peer into the future for a vision of the environment in which they must operate for the next twelve months. This group—the Florida Council of 100—eschews the fortune-tellers with their crystal balls in favor of economists with their computerized models and assorted statistics. The annual Florida Economic Outlook Conference is cosponsored by the University of Florida. This issue of DIMENSIONS is devoted to a report of the conference proceedings.

In recognition of the fact that originally the science of economics was called the art of political economy, the first speaker for the conference was Governor Bob Graham. He shared his concerns about the unique nature and costs of the state's problems of growth, immigration and crime in the face of the increasing federal parsimony promised by the new administration.

The next speakers had all the correct economic credentials. Lyle E. Gramley has been a professor of economics. His current role as a member of the Federal Reserve Board in Washington indicates once again the close association of this field with politics. He described and justified recent actions of the Fed and predicted the inflationary trend of 1981. Rudolph G. Penner, formerly professor of economics at the University of Rochester, is now director of tax policy studies for the American Enterprise Institute. He discussed spending and the tax policy outlook under the Reagan Administration.

Six Florida business leaders told how they foresee their own industries' successes in coping with inflation and recession in 1981. Tourism, agriculture, retailing, construction, banking and thrift institutions are represented.

This issue closes with the economic forecast for 1981 developed by the staff of the Bureau of Economic and Business Research at the University of Florida.

—Ralph B. Thompson

Florida in the new decade

Bob Graham

Governor
State of Florida

I will try to provide a few insights on some of the issues which I see facing Florida's economy in the next period.

We are increasingly becoming isolated from the national political scene in Florida. It is ironic that at the time we gain in terms of numbers and economic strength we are also becoming more and more a special case among the fifty states.

You are all familiar with the 1980 census figures. Only Texas shared the similarity to Florida of being a large state which was also growing at a rate substantially greater than the national average. The projections for the 1980s are that of the ten fastest-growing states as a percentage of population, only Florida will start the decade with a population of more than five million people. So we are going to be the only large fast-growing state in the nation for the next ten years.

What's the political significance of that? The political significance is that many of the problems which are special to Florida because of our size and growth are not shared by the rest of the country. Issues of completion of the interstate, issues of adequate funding for water and sewer and the other basic community concerns that are a function of growth which the national government has accepted as a national commitment for the past three decades are going to come under increasing political pressure.

We have already seen with the interstate system that there is a recommendation that we do for the interstate what Senator Aiken once described should be our policy in Vietnam. He said we ought to declare victory and leave. Some people say we ought to declare the interstate system complete and quit. If that happens, our state will suffer the greatest damage because we've got the most uncompleted miles of interstate of any of the fifty states.

So those kinds of practical concerns that affect the future of our state, that are going to largely be resolved by an effective national response, are going to require not only the enlarged congressional delegation that we have but one that has strong support and strong internal cohesion to deal with statewide issues, and I am pleased that this organization is going to be a major part of seeing that that occurs.

We have reaped the benefits in some very dramatic ways in the past few months of the strong economy on which our state has been built. As recently as October of 1980, there was a great deal of pessimism over the feared cutback in state revenues brought on by recessionary pressures.

Strong fiscal position

By mid-December the revenue-estimating conference met again, however, and at that time those fears and concerns were largely dispelled. The state's economy remains vigorous and growing, and revenues continue to rise.

There were four specific reasons given for the current healthy state of state revenue and its projection on the general economy of Florida. First was the fact that Florida was experiencing a substantially higher than average level of economic activity. In December of

1980 the United States had an average unemployment figure of 7.4 percent. In Florida, unemployment was 5.2 percent.

The *Miami Herald* ran a story about construction activity in the country stating that Florida was to have four of the ten fastest-expanding housing markets in the country. West Palm Beach-Boca Raton would be second, Miami fourth, Fort Lauderdale-Hollywood eighth and Tampa-St. Petersburg tenth in terms of the percentage growth of housing in 1981 over 1980.

The second factor has been the increase in transfer payments in this state brought about by the Social Security cost-of-living adjustments made in October of 1980.

The third factor is the increased willingness of consumers to purchase, particularly in the consumer nondurable categories.

The fourth reason was the fact that Florida is experiencing what the economists refer to as "relaxed linkages" between Florida's economy and that of the nation as a whole, flowing especially from our increased international economic activity. As Florida becomes more of an international center for trade, for tourism, for finance, for insurance, for all of the aspects of products and services which reach out of the United States to the rest of the world, economic conditions indigenous to the United States, while still predominant, have relatively less effect on our state's total economy than they do on the nation as a whole.

In short, Florida's outreach for international trade and tourism is paying big dividends at a time when our state's economy most needs stimulation and the independence which this international trade provides.

Success breeds problems

I want to talk today, however, about another dimension of internationalism, the attractiveness of Florida as a center for refugee populations. For our international trade successes have also brought problems on an international scale. We have benefited throughout our state's history through waves of refugees. In the last twenty years the new arrivals, particularly from Cuba, have contributed greatly to the economic boom that we are now experiencing.

But as we have benefited by these waves of refugees—Miami for instance has now supplanted New Orleans as the capital of the Caribbean Basin—we are also discovering as New Orleans did several decades ago that there is a price tag attached to such honors. I have no fear whatsoever of overstating the situation when I say that immigration in the United States, both legal and illegal, will be one of the most pressing and most volatile issues facing our nation and the State of Florida in the next decade.

One thing that we in Florida must begin to realize is that we are almost as much a border state as is Texas or Maine. Floridians are the direct recipients of the failure of the United States to establish a sane, reasonable, coherent and workable approach to immigration.

That failure surfaced dramatically during the Mariel boatlift last May, and it began to dawn on many of our state citizens that the federal government is totally unprepared to deal with the influx of refugees both logistically and philosophically. The State of Florida and local south Florida governments continue to bear a great deal of the burden brought about by failure at the national level.

One, it now appears that President Carter's request for the fiscal 1982 budget will be about half of that needed to meet the costs of camps, resettlement, education, social services and other state and local expenditures.

Two, the problem caused by the criminal element among the refugees continues to plague our state. Dade County is now suing the federal government in an attempt to have federal authorities assume responsibility for

the noncitizen lawbreakers choking our jails. The State of Florida is assisting Dade County in that suit and is contemplating a similar suit as it relates to those lawbreakers who will soon be in our state Department of Corrections.

Criminal 'Catch 22'

We had here almost a classic "Catch 22" situation. Because the federal government did not enforce the immigration laws, we had in the recent arrival of refugees a substantial population which had criminal pasts. These criminals had in instances committed crimes in the State of Florida. The Dade County jail is now estimated to have a total population of approximately 950 to 1,000 persons. It is estimated that 20 to 25 percent of that population is refugees. The federal government will not accept custody of those persons who are adjudicated of offenses committed in this state. Therefore, jails at the local and state level are becoming overcrowded. The federal judges are enforcing maximum numbers in the jails and in one case threatened to force the Dade County jail to release two persons from jail for every one admitted in order to reduce the jail population, and yet the federal government will not take steps to enforce this immigration policy for fear of a confrontation with Castro. That "Catch 22" has resulted in our state's bearing almost the total burden in terms of criminal population of this latest wave of refugees.

Third, Florida would like to implement a contingency plan so that the kind of dangerous and unnecessary confusions that occurred in south Florida in May of last year might be avoided should the instances occur in the future. In order to set up such a plan it has been necessary to consult with the federal government as to its intentions should such a situation arise again. I cannot exaggerate when I tell you that the federal government is no more prepared to act today in the event of another similar crisis than it was eight months ago.

First, our country has no clearly defined policy towards immigration.

Second, the laws on the books are either unenforced or all but unenforced.

Third, when the problems reach crisis proportions such as the Mariel boatlift or the Haitian influx, the federal government is unprepared to deal with the situation.

Fourth, there is no sense of urgency, yet during the height of the problems in April and May we had every National Guard Armory from Key West to West Palm Beach in service as a holding center pending processing by the immigration authorities. For the refugee we had no further facility.

Fifth, after the state and local governments do the federal government's job, the federal government does not wish to pay us back the huge sums we have expended.

Floridians avoid seeing the Mariel and the Haitian influxes as short-term crises. The problem goes much deeper than that. In fact it has its roots in the economic and political realities of the entire planet. Overpopulation, economic backwardness, lack of adequate food and housing, political and military strife all operate on one side of the equation, the push factor. On the other side is the pull factor.

The American lifestyle now being electronically beamed across the world by ever more sophisticated communications technology has become the goal of much of the world's poor. As Professor Tony Maingot at Florida International University says: "Each Coca Cola ad is an invitation to fun-filled leisure, each Pepsodent smile a promise of robust health. The image of America as the cornucopia of the world is enhanced at every turn."

This enhancement is particularly true for those countries that are our closest neighbors in the Caribbean Basin. As misery pushes and the good life pulls, the result is that immigration levels in the United States in the late 1970s were at or near the highest levels that this country has ever experienced.

According to knowledgeable sources, the pressure for international migration can be expected to increase substantially over the coming decade. We must begin to take steps now at both the federal and the state levels to deal with this issue rationally and humanely.

Concrete recommendations

At the federal level, one, the federal government must make an all-out commitment to enforce the immigration laws now on

the books. A Roper poll recently showed that 90 percent of all Americans are in favor of such a commitment. In order to accomplish that, the hopelessly outmanned Immigration and Naturalization Service must be properly funded. For instance, the budget of the entire United States Border Patrol in the current fiscal year is $77 million. The budget for the Dade County Sheriff's Department this year is $67 million. The budget for the City of Miami Police is $39 million. Those two local law enforcement agencies have a combined budget of $106 million, much of which is committed to dealing with the problems that are occasioned because the United States Border Patrol with a budget of $77 million has been unable to enforce our immigration.

Two, the federal government needs to clearly articulate a comprehensive immigration policy for the 1980s. That will probably entail setting some kind of maximum ceiling on immigration, leaving enough flexibility to form a deal with legitimate refugees from political oppression.

Third, the federal government should do away with the employment incentives and fining of those who hire illegals intentionally by giving employers a system for verification of legal status.

State has no choice

At the state level we too can play a part. As the Mariel experience indicated and the recent crime wave reinforced, we in Florida have no choice.

First we must make our voices heard in Washington, in the form of litigation if necessary, in the form of effective advocacy through our congressional delegation. We are just Americans who want to exercise our right to control our own destiny, and that includes the right to determine as fairly as we can who will live in this country in the future.

Second, we must enforce our own laws regarding immigration. Florida has state laws which prohibit employers from hiring illegal aliens. We cannot in good conscience demand that Washington do what we are unwilling to do at the state level.

Third, we are in a particularly advantageous position to reach out and offer assistance to those countries which are our nearest neighbors, to establish economic systems that will be the foundation for stable political systems.

Another important area in which we can play a positive role—particularly the business community of Florida—is the area of agriculture. Agriculture in the Caribbean Basin is in a shambles. In October of this year I participated in an economic commission to Trinidad, Tobago and Venezuela. Trinidad was colonized by the British because of its fertile agricultural opportunities. As recently as the mid-1950s it was more than self-sufficient in terms of agriculture. Today Trinidad produces less than 28 percent of the food its people eat. That is typical of what has happened to the agricultural economy in the Caribbean and in Central America. One of the things that Florida has to reach out to those countries is a tremendous wealth of experience and knowledge in the practical application of agricultural techniques in a climate and soil condition which are very relevant to the conditions that exist in many of those countries.

'Compassion fatigue'

Fourth, Mariel has taught us so painfully that we cannot automatically expect Washington to be there when we need help. I am now convinced that the State of Florida will have to make its own plans for dealing with what we once thought of as strictly a national and international issue.

Those groups and individuals who are now fighting the institution of a strong immigration policy in this country for humanitarian reasons, for civil rights reasons, for whatever reasons, are unknowingly working at cross purposes. That position will sooner or later bring about its own downfall as it has once before in our history and the American people felt that they were losing control of their own destiny and closed the doors of immigration altogether. The term that is now being used is "compassion fatigue."

The rational voices, the truly humane voices, are the ones that now call for orderly, lawful immigration. Americans have historically prided themselves on their willingness to offer their generosity and their hospitality, but they will not tolerate having it extracted from them.

Top Florid business leaders look ahead

Charles Luthin

Vice-President—Finance
Walt Disney World

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Tourism

Charles Luthin joined the Disney organization as a staff accountant for California's Disneyland in 1969 and came to Florida's Disney World a year later. He was named vice-president-finance in June, 1980. He holds a B.S. degree in accounting from San Diego State College and worked as a CPA for five years after graduation.

Looking ahead to 1981, I have to say it's going to be a difficult year for tourism. When you realize the origin of the tourism to our state, which is primarily the populated northern states and Canada, you realize, of course, the considerable distance that separates us and the major commitment it takes to make that decision to come down to Florida. You realize that there are alternative vacation destinations for those people, and when we have a slowdown in the economy as we have had, it affects that very major decision.

In order for us, in our opinion, to return to the normal levels of tourism growth, which have been trending up year after year, we at Walt Disney World think the important thing is that the vacation decision-makers perceive that their economic well-being is improved, that their jobs are no longer in jeopardy and that their personal well-being is turned around.

Among the promising areas, looking ahead in 1981, is overseas travel. Europe, South America—we've seen in the last year a tremendous growth from those areas and we think it will continue, though not quite at the rate that it has in the last few years.

Another factor of tourism that we forget a lot about, I think, is the intrastate travel. When we have poor economic times it has the opposite effect on intrastate travel, and if the same decision-maker decides not to take a long-distance trip, that helps us here in Florida when it is the Florida resident who makes that decision. Those figures don't show up in our statistics about number of tourists and so forth. If you're in the industry, it's certainly a plus.

Another factor this year that's a plus is the timing of holidays. Easter, as an example, falls on April 19 this year, a little later than last year. That affects the school holidays, spreads out the spring breaks for colleges, and takes the peaks out of the business, and that definitely helps. This last Christmas falling on a Thursday, New Year's falling on a Thursday, was the best, at least as far as our particular business was concerned. Schools were out basically two weeks where in other years they are out less than that, perhaps ten days or so. We had a record Christmas season. In fact, we had a record day. New Year's Eve we had 93,000 wonderful people at Walt Disney World.

As far as the future is concerned, there is definitely underlying strength in tourism. We've done surveys, many others have done surveys, that show that people no longer view a vacation as a luxury. It's a necessity, and we've seen that certainly in the ten years that we've been here. You have an energy crisis, tourism drops, and the energy crisis goes away and tourism bounces right back with a vengeance.

As far as specific projections, I would think tourism overall would be up about 1 to 2 percent, the primary growth areas being in the overseas travel as well as the intrastate helping a little bit. That's as I see it today. Now things change, and if the perception of northern persons changes to the good about their own financial well-being, we could have a very good year.

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Agriculture

David Hamrick

Director
Florida Processors Association

I am pleased to see a group such as this recognizing that agriculture does have an economic impact on the State of Florida.

Florida is consistently among the top fifteen states in the total cash farm receipts. Citrus, quite obviously in Florida, is the single largest contributor to that, having a retail value last year in excess of $2.5 billion. Cattle and calves come after that, followed by greenhouse and nursery products, dairy products and then finally tomatoes.

Aside from the economic aspects, however, of concern to those of us in agriculture is the fact that a dwindling percentage of our people, currently less than 4 percent of the total population in the United States, produce all of the food and fiber that is needed to feed the other 96 percent of the people as well as about 20 percent of the free world. We could do without a lot of things of economic importance, but food isn't one of them.

In 1978, which is the last year for which we really have total data, the retail value of Florida agriculture to the economy was in excess of $11 billion. Income from Florida farms and ranches as of January 1, 1980, was in excess of $19 billion, an increase of $8 billion over just a few years. The total number of farms in Florida now is about 35,000. This has dropped significantly in the last twenty years as has the amount of agricultural land, but agricultural land not quite so much proportionately.

Citrus is indicated as the greatest single contributor to this agricultural income. Citrus consumes about 900,000 acres of our land, and over the last several years this acreage has held quite stable.

The dollar return this year, however, barring a freeze, is expected to be just a little lower than the dollar return last year. This is due to external factors, basically a record crop in the citrus-producing countries of Brazil and Mexico, which has created a real short-term world glut with a resulting squeeze on the export potential from the State of Florida.

This external squeeze is due to a couple of things. First, it costs both Brazil and Mexico less to produce a box of fruit than we can do it here in Florida; and secondly and mainly, both of those governments in those countries subsidize their citrus industry so that they can literally produce their products for anything the government decides that they should.

This makes for real tough competition for Florida citrus when we move beyond our domestic markets. In fact, it is only a very high protective tariff against the importation of citrus products into the United States that has kept these foreign imports from killing our citrus industry in Florida and California in the same way that the tomato imports from Mexico are slowly but surely killing the tomato industry here in the State of Florida.

It is indeed fortunate that our domestic demand is a major outlet for our citrus products. In Florida 94 percent of all the oranges that we grow find their way to the consumer as juice, not as fresh fruit, so practically all the fruit that we produce in Florida goes through some fifty processing companies and is sold primarily in the United States with just a little being exported.

Following the citrus industry, the cattle and calf industry in Florida is a significant contributor and again we are controlled by external influences much more than we are controlled by things within Florida. We suffer a lot in the cattle business in Florida because most of our processors grow feeder cattle. These cattle are picked up and go to the midwest fattening pens where they are finished off, butchered and then the meat is transported back to the eastern market. This places our beef people at a real inherent disadvantage when you consider high energy and high transportation costs involved.

I expect because of this transportation problem to see more and more of the Florida cattlemen slaughtering domestic meat for use by the mass feeders without the necessity of hauling them to midwestern fattening pens.

Just roughly touching on a few more of the agricultural products around the state, we

David Hamrick, a sixth-generation native Floridian, earned bachelor's and master's degrees at the University of Florida. He is senior vice-president of Tropicana Products, Inc., the world's largest citrus processor, and is vice-chairman of the Florida Citrus Commission and president of both the Florida Citrus Processors Association and the National Orange Juice Association.

produce a lot of winter vegetables. We expect this production to climb in spite of production costs in the form of fertilizer, pesticides, all of the things that are used, plus government intervention in ridiculous regulations that make production more expensive every month.

As to field crops—and I'll just mention a couple so that you can have some concept of the relationship between these and the citrus industry—corn will be grown on about 400,000 acres of our Florida soil this year. It will produce about 20,000,000 bushels with a total value of about $55 million, compared to citrus with about 900,000 acres and a value of $2.5 billion. Peanuts is an allocated crop. We expect the planting to remain quite stable at about 55,000 acres and a return to the economy of about $38 million. Soybeans are increasing very rapidly as a cash crop. The acreage has increased from 291,000 acres in 1975 to 460,000 acres last year. We expect this to increase again this year with a value to the Florida economy of about $90 million. Sugarcane has increased from 298,000 acres in 1975 to 327,000 acres in 1979. This crop is expected to gross about $250 million this year, but this is so dependent on the world's supply of sugar that it is difficult to really figure what the return might be.

All in all, Florida agriculture is alive and well. We really expect to show increases this year in Florida probably slightly in excess of what tourism will show, but we must take great care to be sure that the minority of people engaged in this vital industry are not either ignored or devastated by an uninformed urban government such as the one that we have today.

Stewart Turley

Chairman and President
Jack Eckerd Corporation
Clearwater

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Retailing

Stewart Turley joined the Jack Eckerd Corporation in 1966 and was named vice-president two years later, shortly after that becoming a director and president of Jack Eckerd Allied Companies. In 1974 he became president and CEO of Jack Eckerd Corporation and was elected chairman of the board in 1975. An alumnus of the University of Kentucky and Rollins College in Winter Park, he is a trustee of Eckerd College in St. Petersburg, a member of the Young Presidents organization and the Florida Council of 100, and a director of the Florida Chamber of Commerce.

I think first of all we need to talk a little bit about just what retailing is. Retailing is the point that is next to the consumer and it's where most of the things really happen that have been talked about here today. The consumer, it's been said, and I believe this, leads the country into recession and leads the country out of recession, and a great deal of the things that we deal with every day hinge on a very fragile element that might be called consumer confidence.

Some of you read these consumer confidence indexes. I think it was gratifying and one of the reasons perhaps that we had a pretty good Christmas season and pretty good fall economic period, which not everyone thought we would have, that the national elections led to a feeling of euphoria.

Retailing is a very diversified industry and very, very important to the State of Florida. Retailing is Florida's largest industry. The Christmas season, which I mentioned just a minute ago, I think may be important to touch on for a couple of other reasons.

The season came on pretty strong, but it really shouldn't have been much of a surprise. The way holidays fall is very important in the retail business. There were five fewer shopping days between Thanksgiving and Christmas and two more days in Christmas week for shopping this year than last. Christmas fell on Thursday, last year it fell on Tuesday, this being a leap year. Last time that happened was in 1952, so these factors really call for a later Christmas shopping season, and that's just what happened.

Also, the early weather was a little warmer than we might have liked and the cooler weather when it came stimulated some buying. The factors that really are going to affect us, have always affected us and will continue to, would be factors such as inflation because with the double-digit inflation the consumer certainly feels the squeeze. The retailer also feels the squeeze because he's caught in the middle between the manufacturer, who may be increasing his prices of necessity, and the consumer who's resisting those price increases and may not be willing to pay that price.

In Florida we have been fortunate in broadening our economic base over the last

several years and we should all concentrate on continuing to broaden that economic base.

Tourism is very important to retailing in the State of Florida because of the jobs that it provides, the incomes that it generates and those people are shopping at all the retail establishments throughout the state.

The 1981 picture we feel is going to be difficult but we think that we will still see some growth in Florida. The growth in some areas outside of Florida and the Sun Belt states may be difficult in retailing. Comparisons of 1981 to 1980 as we move into the year should be reviewed with certain thoughts in mind, because they may tend to be a little bit misleading. We will have a late Easter this year which will help in the spring from the retailers' standpoint and particularly will be helpful in Florida. Also, last spring we had a very soft retailing situation in Florida and across the nation. This spring we will be comparing against those soft numbers from a year ago and the numbers may look a little bit better than the real business improvement on a month-to-month basis. The Florida economy is certainly in a much better position for retailers to do reasonably well in 1981 than it was during the 1974-75 period.

I'll come back again to the consumer confidence picture. Last year the credit crunch and the high interest rates—those two factors primarily—combined to really devastate the consumer's confidence and willingness to go to the marketplace. This year there will be factors that may be difficult to determine as we stand here today that will also impact retailing. I think that 1981 can be reasonably good in Florida, I think it can be reasonably good in the Sun Belt states. I think that we need to very consciously manage our inventories as effectively as we possibly can, and I believe that this year, the past two quarters in particular, that retailers and wholesalers have probably done a better job of managing their inventories than maybe they have in similar periods in earlier history.

All in all I would have to say that retailers tend to be optimists, and I certainly tend to be also.

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Construction

Joe Cordell

President
Jim Walter Corporation
Tampa

Looking at the overall picture, there is a good possibility that the U.S. economy could register small real growth in 1981, despite the economic lethargy that appears inevitable in this first half of the year.

Our economy, as measured by the Gross National Product, is projected to exceed $2.8 trillion next year, or an increase of about 11 percent in current dollars over 1980, but slightly more than 1 percent in real dollars.

Since we are in the building materials business, our primary interest is in that part of the Gross National Product that represents spending for new residential and nonresidential construction, which in 1980 should approach $225 billion or nearly 9 percent of GNP.

In addition to new construction, there is a huge demand for building products to renovate both residential and nonresidential buildings. Exact figures of the renovation market are hard to pinpoint, but industry analysts place all renovation spending at roughly another $90 billion annually.

More than ever before, housing construction is closely tied to energy, inflation and interest rates, which are expected to remain

Joe Cordell joined Jim Walter Corporation as a vice-president in 1958, was elected to the board in 1966 and assumed his present post in 1970. A graduate of the University of Florida College of Business Administration, he is president and trustee of the University of Florida Foundation. He belongs to the Tampa Chamber of Commerce and Tampa Committee of 100.

"We remain optimistic for the long-term growth of the construction industry. Demand for housing construction, in particular, is expected to be excellent during this decade of the 1980s when at least 20,000,000 homes will be required to provide for the housing needs of Americans."

volatile for several more months at least. Interest on home mortgages during 1981 will probably average 12 to 13 percent.

The rates are high enough that it will remain difficult to obtain mortgage financing, particularly for those 25 to 35 years old, who represent the largest market for single-family homes and are usually first-time buyers.

So, high rates and tight monetary conditions might stall an early recovery in housing starts, which are expected to be about 1.45 million units this year, up almost 12 percent from about 1.3 million in 1980.

On a regional basis, there is a movement of housing construction from the north and east to states in the south and west which are attracting the greatest number of people. During 1980, Florida, Texas and California accounted for about one-third of all new residential construction.

Even more important to each of us is the fact that Florida *led* new construction with 13 percent of the total, even though our state represents only 4.2 percent of the U.S. population.

Although housing has been one of the leading sources of inflation for the past two years, capital appreciation in a home continues to be more of an incentive to buy than rising cost is a deterrent.

The residential renovation market is expected to remain strong as the cost of new homes continues to increase. Furthermore, do-it-yourselfers are finding it easier to purchase and use building materials as they seek ways to improve the value and livability of their homes. Expenditures for home improvements are expected to be up 11 percent in 1981 to $51.9 billion, with materials for do-it-yourself projects representing an increasing share of the total.

On the other hand, nonresidential construction, which normally trails the homebuilding market by two or three quarters, is expected to be weak in 1981. Although the rate of nonresidential contract awards is expected to strengthen in the second half of the year, nonresidential buildings on a construction put-in-place basis will probably decline about 6 to 7 percent in 1981.

In the nonbuilding sector, public works construction, which has been stalled since early last summer, is a primary target of budget restraint. Even though federal funds are under scrutiny, it is predicted that contract awards for public works will increase by 9 percent in 1981.

We remain optimistic for the long-term growth of the construction industry. Demand for housing construction, in particular, is expected to be excellent during this decade of the 1980s when at least 20,000,000 homes will be required to provide for the housing needs of Americans.

Interest rates and inflation still pose the greatest threats to a sustained recovery in the months immediately ahead, but the pressures of demand are expected to outweigh the pressures of inflation in 1981 construction markets.

These are the factors that suggest an overall recovery in construction in 1981, but that recovery will proceed only as fast as external economic, fiscal and political conditions permit.

Charles Rice

President
Barnett Banks of Florida
Jacksonville

Charles Rice was graduated from the University of Miami and earned a master's degree at Rollins College in Winter Park. He also attended the Harvard Business School Advanced Management Program. He is a trustee of Rollins College, past chairman of the Florida chapter of the Young Presidents organization, a member of the American Bankers Association and the Florida Council of 100.

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Commercial banking

One thing that I know for certain and perhaps the only thing that is for certain is that banking in 1981 and particularly in Florida will change.

This could be assured just by the trends of the past alone. There already are as many offices in Miami representing foreign financial institutions as there are in New York. There are more Edge Act corporations in Miami than in any other city. These are offices of domestic money center banks, U.S. banks, that are primarily for the purpose of enabling foreign transactions.

Additionally, we'll be faced with increasing

competition from money center banks, major banks in the United States, as we continue the trend of the past for a more liberal interpretation of what constitutes interstate banking.

Change is further assured by something known as the Depository Institutions Deregulation and Monetary Control Act passed in 1979. This act creates substantial sameness between banks and savings and loan associations and will particularly impact Florida banks because Florida is second only to California in the prominence of the savings and loan industry.

So we will be faced in 1981 with intensified competition, pressures for interstate banking legislation (at least at the federal level), and increasingly sophisticated consumer expectations.

Florida banking, despite the picture that I paint, could be more profitable in 1981 than 1980, which was a record year for many if not most Florida banking institutions.

There will be continued economic uncertainty coupled with high rates of inflation. There will be intensified competition from both depository and nondepository competitors. There will be no relief in 1981 from the growing cost of funds, and there will be more sophistication on the part of customers who will demand additional value for their investment. There will be an increasing number of banking offices in Florida as branching continues beyond present levels.

While we will have an increasing number of banking *offices* proliferating in the state in 1981, a continuation of the trends of the past, we'll have a decreasing number of banking *organizations* in Florida. Starting only last summer on July 1, banking organizations under the same ownership no matter where located in Florida could merge. So there will be a continuing decrease in numbers of separate banking corporations. There will be some continuing acquisition of independent banks and these consolidating forces that I mentioned will substantially outstrip newly incorporated banking offices.

Now let's look for a moment at the setting in which we find the banking industry today. Florida is no different from the rest of the nation in that it's losing market share as regards this banking industry. For the past thirty-five years nationwide the market share of financial assets held by commercial banks has dropped from 57 percent to 37 percent.

The flood of nonbanking competitors has just begun. This is particularly prevalent in Florida although a nationwide phenomenon. If Merrill Lynch's money market fund assets were in a bank, that institution would be one of the nation's twenty largest banks even though that fund is barely five years old.

Money market funds have been particularly successful in Florida on balance as we are net savers in Florida rather than net borrowers. We are a very attractive state in the Sun Belt.

"One of the key challenges to commercial banks . . . in 1981 will be to find ways of building institutional distinctiveness and to set individual banks and their services apart from those offered by other institutions."

Another example of nonbank competition is Sears, Roebuck which already receives half of its income from the sale of financial services and continues to threaten the deposit-gathering potential of traditional financial institutions by entry into the commercial paper field, selling directly to the public utilizing its unmatched cardholder base.

Depository institutions in general, and the commercial banking industry particularly, will face even stiffer competition from these nontraditional competitors during 1981 as well as the rest of the decade. Directly or through subsidiaries, they can offer an astounding array of financial services that in prior years were traditionally reserved for the banking system—deposit accounts, loans, investment banking services, credit cards and so forth.

We face increasingly intense competition from nondepository rivals. NOW accounts (a negotiable order to withdraw) and consumer loan powers at thrift institutions referred to earlier under the Depository Institutions Deregulation and Monetary Control Act will blur the consumer's ability to distinguish between banks, savings and loans and credit unions.

One of the key challenges to commercial banks then in 1981 will be to find ways of building institutional distinctiveness and to set individual banks and their services apart from those offered by other institutions.

While we are dealing with intensified competition, commercial banks must also contend with the gradual elimination of Regulation Q, rate ceilings on deposits. The increased cost of funds to all financial institutions could result and will result in all likelihood in a narrowing of net interest margins and will force banks and savings and loans to take a hard look at the services they're currently offering and at the prices they charge for these services.

Florida's banks will attempt to achieve in 1981 and beyond multiservice relationships with their existing customers. They will focus their marketing efforts on specific publics rather than trying to be all things to all people. Banks will assist their customers in better managing their personal financial affairs and will provide them with competitive net after-tax returns. These types of views, this type of reaction to rapid change, will be necessary if we are to be more profitable in 1981 and beyond.

Successful Florida banks in 1981 will also seek to substantially increase fee income while providing individualized and personalized service to those customers who require it, and they will continually seek to devise less costly methods of providing these services; but above all, they will have to price their products for profitability.

Florida's best managed financial institutions will ultimately, if not in 1981, ask customers to pay for the services they receive. The notion that profitable customers pay for unprofitable ones will be replaced with a conviction that all customers must be at least marginally profitable.

The realities of 1981 and the decade beyond with intensified competition from both depository and nondepository competitors, out-of-state competition, foreign banks, money center banks, dictate that banks be characterized by a willingness to be selective and by a different approach to pricing, and I would expect that to be the case as we exist and survive in this rapidly changing industry in the fastest growing and most exciting state in the union.

Thomas Bomar

President
AmeriFirst Federal Savings
and Loan Association
Miami

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Savings and loans

Thomas Bomar joined AmeriFirst Federal Savings and Loan Association, largest S&L in the southeast, as executive vice-president in 1976, becoming president a year later. The native Texan is a graduate of the U.C.L.A. graduate school of business in California and formerly served on the Federal Home Loan Bank Board in Washington, D.C. He is active in United Way and other community organizations in Miami.

I want to convey a similar kind of a message to you, but I'm going to talk about the savings and loan business so I have the hardest job of all.

The year 1981 appears to be shaping up as the most difficult year in savings and loan history nationally as well as in Florida. In Florida we will suffer as a savings and loan industry less than other states in the country, but there will be some damage nonetheless.

The cause of this suffering is really very simple: inflation. Savings and loans are the most intolerant of businesses when it comes to inflation. The reason for this is that the savings and loan's income is established years in advance with a portfolio of long-term fixed-rate mortgages. On the other hand, the source of those funds is short-term very volatile savings deposits, by and large. You put those two things together in a period of wildly escalating interest rates with new highs and you have trouble defined for the savings and loan industry.

Now add to this the overall economic condition—a situation where you have dramatic cost increases for all businesses and all economic activity affected by inflation.

And third, the other situation in which savings and loans because of their excessive sensitivity to inflation (which is a fact of life or has been for some time) must remake themselves in very short order, which is a very costly process.

So you have those three factors affecting savings and loans presently for 1981—the economic situation, inflation affecting all businesses and third, the need to rebuild an industry that is simply not viable in the long term in this kind of economic environment.

Now other major industries have gone through major alterations, but none of them has been so closely tied to the well-being of one of our largest industries as the savings and loans have been to the housing industry, and none of them has been the second largest holder of wealth in the United States and largest in Florida as the savings and loans are.

The savings and loan industry's condition will have an impact upon our state's economy in multiple ways. The impact of high interest rates, inflation, and dramatic restructuring will have the effect of curtailing savings and loan industry profits and with it branch growth in 1981. This will cause a consolidation within the savings and loan industry with fewer larger units serving Florida communities, and this consolidation process is really just getting started and will go forward probably for most of this decade.

Savings and loan deposit growth will be curtailed in 1981 and the dollars that are available for lending and investing will be going increasingly to securities investments, consumer lending and the construction business as opposed to the tried and true home loans.

These conditions are going to have these kinds of effects. Home loans are going to be available in Florida in adequate supply, I believe, but with a much higher-than-historic interest rate and almost exclusively of a renegotiable-rate variety. I think we can safely say today that the savings and loan industry is pretty much out of the fixed-rate home loan business for the foreseeable future and in terms of rate projections I think we should anticipate that about 12 percent is a realistic floor for mortgage rates in 1981. The University of Florida projects about 13 percent plus or minus. That's certainly very reasonable as well.

Homebuyers will accept this rate. We believe that housing can do business in Florida at 12 percent because homebuyers are very smart people and they know that a 12 percent renegotiable mortgage which is tax deductible combined with the base inflation rate of 8 or 9 percent is a very good deal.

More savings and loans will be willing lenders to builders and developers than has been the case in the past. The reason for this is that loans to builders and developers produce higher returns, so they are more flexible. Savings and loans as well will be entering the building and developing business directly with their customers and for their own account. Again, the reason for this is because this is a quicker-turnover, higher-yield-if-it's-done-right business than is the savings and loan business, which has these kinds of problems.

Most builders in the state I think welcome this move because those who become partners with the savings and loans will acquire a partner with deep pockets, and those who continue to operate independently need have no concern about irresponsible competition on the part of the financial institution partner.

Smaller banks as well will feel the impact of the savings and loan movement into the checking account or consumer loan business, and this will affect small banks' profitability negatively almost certainly. This in turn is going to cause bank borrowers to have to pay higher interest rates in 1981 and beyond.

There will be fewer savings and loan branches built in 1981 because of the savings and loan preoccupations with business restructuring and the other problems that the industry has at the moment, and this, of course, will have an impact upon shopping center developers and others.

Difficult as this year is going to be for savings and loans, I think the long-term implications for us are extremely positive because unlike the savings and loans of the northeast and the midwest, Florida's savings and loans can grow out of their difficulty, boosting earnings with new and more income-flexible home loans and maintaining the momentum that has been developed.

The Florida savings and loan industry will come through 1981 battered but stronger for it, adding to its ability to serve Florida communities in the years to come. There is seldom progress, it is said, without pain, and the Florida savings and loan industry is out to prove that proverb one more time.

"I think we can safely say today that the savings and loan industry is pretty much out of the fixed-rate home loan business for the foreseeable future and in terms of rate projections I think we should anticipate that about 12 percent is a realistic floor for mortgage rates in 1981."

Can Reagan revitalize America?

Rudolph G. Penner

Director of Tax Policy Studies
American Enterprise Institute

Rudolph G. Penner was on President-elect Reagan's advisory committee on tax policy and served as assistant director for economic policy at the Office of Management and Budget. He was also deputy assistant secretary for economic affairs at the Department of Housing and Urban Development and senior staff economist for the Council of Economic Advisors. Before 1975 he was a professor of economics at the University of Rochester.

My colleague Herb Stein has noted that it was the goal of the Kennedy Administration to land a man on the moon by the end of the 1960s. He believes that the Reagan Administration should, by the end of the 1980s, have the goal of landing a Chrysler in Yokohama.

Will Reagan be *that* successful in revitalizing America?

One thing is certain. He inherits a terrible situation. It is hard to go anywhere but up.

One of the most terrible components of the terrible situation is the status of the federal budget. When the official estimate of the 1981 federal outlays had to be raised from the original $616 billion to $634 billion six months later, I said that the budget was "out of control." Now, another six months later, the estimated total has been raised to the range of $660 to $665 billion, and I grasp for adjectives to describe the situation. In Washington these days, the favorite descriptive term is that the budget is hemorrhaging—hence the term "blood money."

President Reagan's greatest challenge will be to find the tourniquet which will stem this flow. Unfortunately, the national debate over the spending issue is not carried on at a very high level. There is much discussion of cutting waste and inefficiency by candidates, but not so much by incumbents.

Of course, there is tremendous waste in government. I venture to say that most of us can also think of tremendous waste in running our own homes and businesses. The trick comes in rooting out the waste. You cannot say that Carter, Ford and Nixon were in favor of waste. (I am not sure about Johnson.) Will Reagan succeed where other good-minded men have failed?

Spending to save

It must be remembered that it costs money to reduce waste. Good, talented managers must be hired to get things under control; bureaucrats have to travel to the countryside to see how their programs are actually working; investigators have to spend effort and money to find and prosecute fraud in the welfare program, etc. It is not reassuring that, so far, the Congress is not anxious to raise top civil servant salaries to the point where good managers can be attracted, and Reagan, like Carter, Ford, and Nixon, wants to reduce the number of civil servants.

It is, at least, interesting to note that civilian federal employment in fiscal 1980 was about 2.8 million or about 100,000 below the level of 1970 even though federal outlays, adjusted for inflation, have gone up about 30 percent over the period. (I believe one of the problems of government is that it's starved for people.)

The bottom line is that there is much pure waste but it is hard to get at. The most that can practically be gotten can be eaten up by Social Security growth within a year.

There is really no escape. To cut government spending significantly you have to cut programs. The interstate system would be high on my hit list. Now, the waste that I was talking about before was the waste resulting from the inefficient operation of programs. I would say that there are programs that would be wasteful even if run at 100 percent efficiency in the sense of meeting their goals. It is their goals that do not make sense. Unfortunately, the people receiving the benefits and the people selling the associated services

to the government will argue that such programs are absolutely essential to the national well-being. Our fundamental problem is that such groups have so far been able to persuade the Congress to keep the programs going. That is largely because much of the persuading goes on out of the sight of the poor taxpayer who is paying the bills.

But the taxpayers spoke rather loudly on November 4. President Reagan has the mandate to argue on the taxpayers' behalf. Congress may also have been frightened into speaking up for the general taxpayers a little more than usual and against the relentless pressure of the special interest groups. I cannot prove it, but in my travels around Washington I also get the impression that even the special interests feel a bit cowed. They will still be elbowing their way to the federal trough, but they are finally ready to admit that it may be empty someday unless we get the economy growing again and that might take some short-run sacrifice. All things considered, they would still prefer that others make the sacrifice, but they are somewhat less adamant in that position than in previous years.

With this new mood and the electoral mandate which is its most concrete manifestation, I do believe that President Reagan has the chance to succeed in certain areas where other presidents have failed. But it will be difficult, and no one should expect government growth to come to a screeching halt while tax burdens plummet. It is mainly a matter of slowing that growth significantly. Slowing it below the rate of growth of GNP will be a triumph and I believe that is within our grasp.

Modest expectations

The main reason that I am being relatively modest in my expectations is that we do have some serious national problems that require large expenditures of money. One-quarter of the budget goes to defense. It is almost certain to grow faster than the GNP over the next five years. Another quarter of the budget goes in one way or another to the elderly. The elderly population is growing about twice as fast as the total population. Programs such as Social Security and civil service pensions are structured so that each succeeding cohort of retirees will get a higher average real benefit from the government. Medical costs per retiree will also grow rapidly in real terms. All of these things imply that the elderly's portion of the budget will grow much faster than the GNP in the foreseeable future.

Therefore, we start with half the budget growing significantly faster than the GNP. Severe stringency regarding the other half will therefore be necessary to keep the total budget from growing faster than the GNP. But such stringency is possible with the exercise of extreme political discipline.

What do the pressures on the spending side imply for tax policy? First, there is little that can be done about spending in the short run. The budget for 1981 is pretty much mired in concrete. Funds are rapidly being committed by contract and it will take time for President Reagan to get the Congress to change the laws governing the funds that are not. It is safe to predict that he will not attain his goal of cutting 1981 outlays by 2 percent (and I fervently wish they would quit talking about it).

That leaves a very large deficit in the range of $60 billion even without a tax cut. It is sure to dampen enthusiasm for cutting taxes immediately. There will at least be a lengthy battle between those who fear large deficits and those who do not. Although some expect a substantial tax cut by April, I would suggest that you should not expect any money in your pockets until October 1. Note that a tax cut effective on that date does not affect the 1981 deficit because the fiscal year ends September 30.

I expect a cut worth about $40 billion at an annual rate consisting of some depreciation reform, some personal rate cutting, and perhaps—though with less probability—some further easing of capital gains tax rates. I do not expect a formal multiyear cut along the lines of a Kemp-Roth 30 percent kind of cut, but a lot of good things will be said about having the goal of future tax cuts as the deficit is lowered.

In balance by 1984?

Unfortunately, the sort of cut that I envision probably means that there will be no chance of a balanced budget before 1984 even if President Reagan has considerable success in slowing down the growth of nondefense

Questions and answers . . .

Rudolph G. Penner

Q. How do you see the chances for reduction of taxes on interest and dividends?

A. I don't think it's very high because the last time that was tried, which was in the Ford Administration, you didn't even get the support of the business community. I have a large number of theories why not, but I think basically they saw there would be enormous pressures on them to pay out dividends, and they would prefer to play with that money themselves. So, without really any support at all, I don't see it.

Q. Why did you say the interstate system would be the very first thing very high on your hit list?

A. Well, I certainly did not mean to say it would be first on my hit list, but it would be far up at the top of the good things that I would cut, and I do regard the interstate system as a good thing. The problem is you can point to a lot of very crazy programs in government, and I often do. The very fact of their craziness though has restrained the amount that the Congress has spent on them, and the craziest programs really don't amount to a hill of beans in terms of dollar amounts. If you want to cut bucks from the federal government, you're going to have to start cutting into good programs. The interstate system would be high on my list because I frankly believe that highways are fundamentally a state's responsibility and I've always been a little curious about the huge amount that we spend on the Interstate Highway System of Hawaii.

Q. Are you familiar with the plan which is sometimes called the National Dividend Plan that taxes corporations but distributes the proceeds?

A. Well, I hope I understand it. I believe that is the plan which would involve still taxing the corporation but using the proceeds from that tax to distribute money around. I think the political intent of the plan is to try to educate Americans to a greater degree as to the great benefits that American business provides us all. Certainly one of the grestest problems in Washington is the intense antibusiness nature of so much of the political discussions, and I would argue further that a national problem involves intense antibusiness biases in the newspapers and other media. I think that is something that we live with. I frankly don't know what the best way of curing that is. I think it really goes to fundamental education from the school system onward.

Q. I've recently heard it proposed that the federal budget should be divided as most business budgets are into two types: an operating budget which would include the transfer payments and all of those annual-type things, and long-range capital expenditure budgets, items such as interstate highways and certain defense spending which would have a much longer useful life. If we then controlled the operating budget and kept it in balance and operated the capital expenditures budget on a reasonable basis, could we start addressing some of the problems in a more realistic way?

A. Should we have a capital budget in the United States as most state governments have them, as many other countries have them? It is not an easy thing for the federal government to divide this thing. It's not as easy as for a private business, because you can make a good claim that many of our educational expenditures or capital expenditures, things in job training and so on, could be considered to be investment. The whole area of the defense budget is very difficult. We have a bigger defense budget than do most countries that separate out their capital return account. Because there are so many problems, I am a little reluctant to go into budget reform, although I remain open-minded on it.

Q. Do you have an approximation of what part of our budget goes into foreign aid, and can that be curtailed?

A. Well, that's very trivial really. I mean it's a matter of how you define foreign aid. I think the whole international budget is only $10 billion—something like that—which is a trivial portion, less than 2 percent of the total federal budget. Much of that, or a large portion, includes the military, includes so-called food for peace which may be thought of as foreign aid. That does not mean, however, that we shouldn't take a very careful look at that component of the budget and our whole strategy in that regard.

spending. The problem is that he starts with such a large deficit and with such pressing defense needs that, like Alice, he has to run fast just to stay in one place.

Does this mean that we are condemned to constant inflationary pressure from the deficits? It does not. Deficits are not inherently inflationary. They can be countered by effective monetary policy though they do make the implementation of such policy more difficult. (So more of the burden will fall on the Fed.) They do imply that real interest rates will probably be higher over the next few years than any of us would like. But relative to GNP, I do not expect the deficit to be very high compared to the recent past or compared to the deficits now being experienced in countries such as Japan, West Germany or Canada.

Nevertheless, the deficit will still be uncomfortably large. Therefore, it is crucially important that, in all other respects, President Reagan take a strong stand against inflation. This must be manifested by giving strong support to the Federal Reserve Board in its efforts to slow the growth of the money supply. In addition, decisions regarding regulations must be strongly biased in the direction of lowering regulatory costs. Any temptation to erect import barriers must also be strongly resisted.

Needless to say, I do not expect the Reagan Administration to be 100 percent consistent in such matters. No administration ever is. But I fervently hope and expect that there will be one difference of overwhelming importance between the Reagan and Carter administrations. We shall know when President Reagan is being inconsistent.

There was no underlying philosophy guiding the Carter Administration. It was random with anti-inflationary pronouncements one day and pro-inflationary policies the next.

I expect better from President Reagan. Although there will be exceptions to the rule, I presume that the vast majority of decisions will be in an anti-inflationary direction.

I do not get the impression that participants in the bond and stock markets agree with my forecast. If they did, the Dow-Jones would be much higher, and long-term interest rates a lot lower. If you agree with me rather than the marketplace, stocks and long-term bonds are a very good buy. That is my investment advice for the day.

Federal Reserve policy and the economic outlook

Lyle E. Gramley

Board of Governors
Federal Reserve System

Lyle E. Gramley joined the Federal Reserve Bank in Kansas City as a financial economist in 1955, leaving seven years later for a two-year stint teaching economics at the University of Maryland. In 1966 he became a senior economist at the Federal Reserve Board and eventually directed the board's Division of Research and Statistics. He was appointed to the President's Council of Economic Advisors in 1977 and became a governor of the Federal Reserve Board in May, 1980.

The traditional way that economists develop forecasts, whether they use econometric models or whether they use the back of the envelope judgmental methods, is to look at each individual sector of the economy. They look at the prospects for real growth in each of these areas, add them all up with due regard, of course, for the interactions that one must take into account in thinking about the economy, and come to a view on where the economy will go with that procedure. That's a process that I personally use in economic forecasting and it's a very useful one.

But under present circumstances, I think there is an alternative method which will get you to the bottom line quicker and will help you to understand the role of monetary policy in determining the economic outlook.

To develop this point of view, let us look briefly at the history of the past decade. Over the past ten years, the nominal value of the Gross National Product has risen at an average annual rate of 9.75 percent. The stock of money, defined most narrowly to include just cash and demand deposits, which is what we in the Federal Reserve call M_1A because there are others, has grown on average at 6.0 percent a year. That means that the ratio of Gross National Product to the narrow money stock, or what we call the velocity of M_1A, has gone up on average at 3.75 percent a year.

I am not a monetarist economist, and I think there are lots of other things that affect economic activity and prices besides the change in the money stock. Indeed, the relationship between money and Gross National Product from one year to the next is quite variable. We in the Federal Reserve follow a monetary policy of permitting a growth of M_1A of less than 6.0 percent. That's the upper end of the Fed's target for M_1A for 1980, and if we were to pursue that policy next year again, it would mean that Gross National Product next year would rise on average by about 10.0 percent.

How did this rule work for 1980? Well we don't have the figures in finally yet, but taking a guess as to the increase in the Gross National Product in the fourth quarter of last year, we find that the nominal GNP rose 9.5 percent in the fourth quarter. M_1A rose between 5.0 and 5.5 percent (the final figure has yet to be determined), so the velocity of M_1A went up about 4.0 percent or only a tiny bit more than the average of the past ten years. So the rule worked reasonably well.

Now let's just check with another definition of money to make sure that we're not misleading ourselves. Let's take a broader definition of money, M_2, which includes the savings accounts of individuals at banks and thrift institutions among other things.

In the past ten years this broader definition of money, M_2, has gone up 9.75 percent on average per year, the same rate as the increase in our GNP, so the velocity of this money stock has shown no tendency over the long run to increase at all. In some years it's gone up three percentage points, once even four, but if we were to follow a target for the growth rate of M_2 as we have been doing in 1980 of trying to hold that growth down below 9.0 percent (our target's been 6.0 to 9.0 for the four quarters of 1980) and we were to continue to pursue that in 1981, we would anticipate that the nominal value of Gross National Product might rise, 9.0 percent or up to perhaps 12.0.

And how did that rule work for 1980? Well again, as I mentioned, nominal Gross National Product rose by 9.5 percent over the four quarters of last year. The increase in M_2 was a little above the Federal Reserve's target. It was about 9.5 percent also, so the velocity of M_2 was unchanged.

The Fed has been trying to hold down the growth of money and credit for a long time in the interest of controlling inflation and, indeed, we have been specifying quantitative targets. But in a period prior to October, 1979, inadvertent overruns were common. When economic activity began to grow, the Federal Reserve tended to let the money stock and the growth rate of credit increase in the interest of holding down the interest rates. And that meant, in effect, that the economy could pull out the necessary money and credit it needed to sustain a healthy economic growth rate during a period of expansion.

New Fed strategy

A year ago in October, the Federal Reserve adopted a very different strategy, a strategy which is designed to enhance the prospects for preventing those overruns from its monetary and credit targets.

What the Fed was trying to do was not to achieve a given growth rate of money from quarter to quarter or month to month, but to make sure that over the longer term, over periods of four quarters, six quarters, eight quarters, we did not have those overruns in growth of money and credit which in earlier years had contributed to inflation. In this kind of environment if the Fed is serious, and I assure you it is, the relationship between money growth and GNP historically takes on a critical significance.

Now let me relate this to our inflation problem. If 9 to 10 to 11 percent growth in nominal GNP is what we can reasonably expect, then the amount of increase in real output we can expect depends critically on how much the inflation rate is, because the increase in nominal GNP of 9 or 10 percent consists both of increases in prices and increases in real output. If prices were going up at 5 percent or so, a 9 to 10 percent growth figure of nominal GNP would imply a significant increase in real output. But if prices are going up at 10 percent or so, it means very little room for real growth at all.

The bottom line is that targets for growth of money and credit which the Federal Reserve has established for itself provide very little room for real growth as long as inflation continues to persist at the rates we have seen in the recent past.

Why is that so? Well, rather simply, every time real growth begins to accelerate, with the 10 percent inflation rate going on, the demand for the money and credit is so strong that interest rates begin to rocket upward and begin to choke off growth in housing and autos and such areas. When real growth then slows, interest rates fall and then credit-financed expenditures begin to be stimulated again.

What's the implication of this for the economic outlook for 1981? The Fed has indicated publicly that we may reduce somewhat the target ranges for growth in the monetary aggregate that we set for 1981 relative to what they were for 1980, but the

reduction would be small, like a half percentage point or so. No firm decision has been made yet. But whether we do or not, the kind of figures we have been talking about for growth of money and credit provide very little opportunity for real growth unless inflation begins to slow, and I remind you that tax cuts that were designed to stimulate demand would have very little effect on that conclusion.

Fighting the inflation battle

Let us talk then about the outlook for inflation, where we are and what we might reasonably expect from it. Have we made any progress at all yet in our national effort to get inflation under control?

I think the answer is, yes, a little. A year ago at this time we were very much concerned about a speculative fever in commodity markets. That is by and large gone. During the course of 1980 we began to see the beneficial results of an energy policy that was put into place in prior years. So energy prices rose less rapidly than they have before. For a time during 1980 we also saw a squeeze on corporate profit margins because markets were so soggy and so for a time prices across the broad range of industrial goods and services rose less rapidly than costs. But recently the rate of increase of prices has begun to turn up again.

What's been happening to wages and costs during this period? This is particularly important because our longer-range hard-core underlying rate of inflation is basically determined by what happens to costs of production over the long term. The trend in costs will set the stage for the rise in prices.

In 1979, wage rates on average rose at 8.75 percent. In 1980 they have gone up still faster, about 9.25 percent. Fringe benefits go up a little faster than wages. You can add another percentage point or so to total employment costs for that reason. The long-term productivity growth is at best 1.0 percent or so. So if you take total wage costs, which are rising at say 10.0 to 11.0 percent, subtract 1.0 percent for the long-term trend in productivity growth, and you've got an underlying trend of unit costs of production between 9.0 and 10.0 percent. And that's not getting any better.

We have seen no major breakthrough as yet on our underlying or hard-core inflation problems. We hope, I hope, everybody hopes that we will begin to see some progress during the course of 1981 and perhaps some improvement in productivity. But a modest improvement in this direction realistically is all you can anticipate. The outlook for real growth, therefore, in 1981 is relatively poor. We can't reasonably expect to have a strong economy until we get our inflation problems under better control.

I don't think, however, that we will have another yo-yo year such as we had in 1980. That steep decline in the economy during the second quarter of last year was a consequence of two things.

The first was a very panicky reaction of both lenders and borrowers to the drastic increase in interest rates that occurred in the fourth quarter of 1979 and the first quarter of 1980. They simply did not know how to behave in circumstances which were entirely unfamiliar.

Second, the imposition of the Credit Control Act had a much more powerful effect on spending, particularly by consumers, than anybody had anticipated. The Credit Control Act I am certain will not be reimposed during 1981, and we are seeing some adaptation in marketplaces to higher interest-rate laws.

To be sure, the recent increase in interest rates is beginning to have its effect in housing and auto sales, but by and large there aren't any signs of significant recession on the horizon.

Why are we making so little progress, having worked so hard to get inflation under control? Not only have we had a fundamental shift in the strategy of monetary policy, but we have really had a substantially tighter fiscal policy in recent years than most people recognize. If you take out the effects on the budget of fluctuations in the economy and look at what we call the high employment budget, that budget was in deficit to the tune of $22 billion in 1977. By the fourth quarter of 1980 it has moved to a surplus of $40 billion and yet inflation continues. Why?

I'm going to give you a personal answer, not an answer that anybody else at the Federal Reserve Board might support, but it is that the problem of inflation that we are dealing with is not primarily a monetary problem. It is not primarily a fiscal policy problem.

Social programs add up

The sources of our inflation problem are much more complex. Fundamentally, they stem from the fact that our government for the past twenty-five years at least has been trying to achieve a wide range of very ambitious social and economic objectives in ways, each of which adds just a tiny little bit of inflation, but collectively they add up a lot.

I worked for three and a half years in the administration and looked at many, many economic analyses of governmental programs. I never saw one, not one, that added more than two-tenths of 1 percent to the Consumer Price Index. And so you say to yourself, well two-tenths on the Consumer Price Index, that's a very cheap price to pay for all these good things that will happen to put this program into place. But if you put in ten programs of that kind in one year you've added 2 percent to the CPI, and if you put in ten more programs the following year you add 2 percent more, and over the space of twenty years that adds up to an awful lot.

Besides that we've had the economy shocked in recent years by serious shortages of energy, and once you get a process going and persistent for as long as two, two and a half decades, as the problem of inflation has in the United States, then what happens is it develops a momentum, a force of its own. Everybody expects inflation to continue, so wage earners try to bargain for wage increases that will take into account what they expect will be next year's price increases, and managers, having granted such wage increases before, reason that they can pass on those increased costs to the public through higher prices and so they offer less resistance. Against this kind of inflation monetary policy does work, it does have an effect, but it works very, very slowly and very, very painfully.

People are increasingly asking us at the Fed if we realize what we're doing, how much pain we're creating. Don't we realize the devastating effects on auto dealers, on homebuilders, on farmers and other small business?

The answer is, yes we do. We realize full well that in 1981 we can improve significantly the outlook for economic growth in these sectors and others merely by letting growth of money and credit substantially exceed the targets that we've been setting for ourselves, but what would be the ultimate outcome? It would mean that whereas four years ago we were dealing with a 6 percent inflation and now we're dealing with 10 percent, four years down the road we might be dealing with 14 or 15 percent inflation, and believe me, you can't get ahead that way. We have no intention of doing so!

What we need, I think, if we're going to make progress on the inflation problem, is to complement monetary policy with a wide range of other governmental policies which will improve the outlook for inflation and, therefore, for economic growth. We need improvements in productivity through tax cuts that will stimulate more capital formation, but we've got to recognize that when we do this that cuts in expenditures to match the tax reductions are critical; otherwise, we will simply add to aggregate demand and possibly aggravate our inflation.

Microeconomic solutions

We have also got to recognize that the benefits that can reasonably be expected from tax cuts to stimulate supply to increase productivity are three to five years down the road, and they are not terribly large. We badly need a whole variety of other microeconomic policies, policies aimed at specific sectors of the economy, that will improve the outlook for inflation.

I'm talking about things like financing Social Security in ways that don't depend entirely on a payroll tax. I'm talking about a whole range of income support measures for workers, for businesses, for farmers, many of which add significantly to prices and hence to our inflation problems in the long run. We need, I think, also a new income policy, a new policy that is designed to encourage both workers and businesses to decelerate their wage and price increases.

I don't realistically expect we are going to get all these things, but we can, I think we will, begin to take steps in 1981 to deal with our long-term inflation problems. Just don't ask too much in the way of results. You cannot realistically expect more than steps to be taken that will improve the outlook for inflation over the next three to five years. But if we move strongly enough, I feel the outlook for the economy a year from now will be much brighter than it is today.

Questions and answers . . .

Lyle E. Gramley

Q. Can the Fed control the money stock?

A. Yes, if not measured month to month. The money stock (M_1A) target set by the Federal Reserve for 1980 measured from the fourth quarter of 1979 to the fourth quarter of 1980 was between 3.5 and 6 percent. The actual figure is going to come out between 5 and 5.5 and I think closer to 5 than 5.5. Now that seems to me to be a record of which we can be reasonably proud. I have no doubt at all that we have both the will and the ability to keep the growth rate of money stock under control for 1981.

Q. Can you comment on the effectiveness of the voluntary wage-price program of the last three or four years and do you believe that a Republican president could be any more successful in dealing with industry in terms of holding down prices than has happened in the last few years?

A. Looking back on the program, I think one has to say that overall it has done relatively little good. The cooperation of the business community with the voluntary wage-price program was phenomenal. The basic problem was not the fact that businesses failed to cooperate. It was the fact that wage rates began to accelerate under the pressure of rising energy prices in 1979. I don't realistically expect the incoming Reagan Administration to put a new program of that kind into effect nor would I suggest that they do so unless they can think up something a lot more effective.

Q. On the Credit Control Act, what is the type of the change now that led you to impose controls in 1980 that you wouldn't impose in 1981?

A. The imposition of those controls in 1980 occurred in the context of a climate in which there were stories appearing daily in the newspaper that inflation was entirely out of control, that neither the Federal Reserve nor the federal government could do anything about it. It was proceeding, depending on which price index you looked at, at somewhere between a 15 and 20 percent annual rate in the first quarter and there were thoughts that it might well get worse than that. Under those circumstances, it seemed wise to us in the administration (I was a member of the Council of Economic Advisors at the time) to use what means we could to try to bring some restraint on the economy to assure the public that this situation wasn't getting out of control and to do it without further raising interest rates, which were already creating havoc in the housing industry. So we did. I don't think the circumstances that gave rise to it then are going to be repeated in 1981.

Q. The incoming administration has talked about a tax cut in the range of 10 percent. What would this do to inflation?

A. I think the administration plans to put through a tax cut and also reduce nondefense expenditures by amounts that are going to keep the increase in the reduction of taxes from being inflationary by adding new deficits. If they were to put through a 10 percent tax cut and then be utterly unsuccessful in their efforts to cut nondefense expenditures, I would be concerned.

Q. You spoke of cuts in the Social Security, of changes in the Social Security program. How would this help to reduce inflation?

A. Let me say first that almost every effort to do something with inflation is important. It is politically sensitive and politically difficult whether you're talking about Social Security financing or orienting your tax cuts towards businesses to increase productivity or doing something about the minimum wage or costs of regulation and so on. What I had in mind was that we are financing all of our Social Security benefits with a payroll tax. I don't think we need to rely entirely on the payroll taxes to finance Social Security. We could, for an example, finance health insurance out of general revenues instead of the payroll tax, and if we did so, we would take some of the burden off employment costs as a means of financing Social Security. I don't think we ought to go over completely to general revenues, but I think there is room for use of general revenues in the financing of Social Security.

Q. If the federal deficit were completely eliminated, what would the effect on inflation be?

A. Eliminating the deficit, like slowing down the growth of money, will have a beneficial effect on inflation, but a small one and one that works very slowly. The most important reason for reducing the deficit is that in order to finance the capital formation which is essential to meeting our energy needs and at the same time adding to the stock of capital for productivity enhancement, we need to increase national savings. The best way to increase national savings is to reduce the deficit of the federal budget.

Q. For the last thirty-five years the international payment system has been essentially based upon our currency, the dollar. What contribution do you think that's making to our current inflationary problems domestically and do you see that changing?

A. I think our domestic inflation problem is 99 percent a domestic inflation problem, really very little to do with the international situation. I think we're looking at circumstances now which are quite strongly suggesting a decline in the role of the dollar as an international reserve currency. More and more countries are beginning to hold other currency as reserves, and I think that will continue. I see nothing wrong with that. I don't think we have anything to lose. But turning to our inflation problem, we are going to deal with that here at home if and only if we face it domestically.

Q. What happened to the resolve of the board when credit controls were imposed and then taken off in rapid-fire order?

A. We must distinguish between what happened before October 6, 1979, and what happened last year in the spring. Prior to October 6, 1979, the Federal Reserve always tended to lean in the direction of stabilizing interest rates and what happened was that when the economy tended to fall, the money stock was permitted to decelerate; when the economy began to accelerate, money stock began to grow faster and interest rates moved, but they moved through a relatively narrow swing, and that was a policy which was adopted deliberately. In October of 1979 the Fed said, we're not going to do that any more. In retrospect, I think the mistake that the Federal Reserve made then was not that it should have pushed harder to get money growth to proceed more rapidly, but that it pushed too hard and pushed interest rates down so fast that a process began which accelerated money growth later on. I think we were trying to focus too much on the growth rate of the money stock in the short run whereas our focus should have been on growth of money over a longer period, and I think that's where our focus is now.

The Florida Forecast for 1981

Sheldon Engler
Hank Fishkind
John Kraft

Bureau of Economic and Business Research

National economy

One year ago the National Outlook was described with somewhat of a tint of optimism. The upsurge in economic growth in 1979 was based on higher consumption spending financed by expanding credit. *Outlook* predicted that demand-side forces would dominate the near-term prospect and a modest three-quarter-length recession would begin in 1979:4. The economic slide would deepen through the first and second quarters of 1980, with the recovery set to begin in the third quarter of 1980. It was predicted that the peak-to-trough contraction would measure about 2.5 percent, which would make the 1979-80 recession average by historical standards. The forecast, however, was subject to risks on both the positive and negative side. On the negative side *Outlook* indicated that a far deeper recession could develop. In this case *Outlook* predicted inflation would remain at two-digit levels, credit would remain available (though costly), and households would continue their advanced buying. In this environment the Federal Reserve is forced to retighten monetary policy, producing a full-blown credit crunch and higher interest rates. The recession lasts five full quarters and equals the crash of 1973-74.

While all the particulars of that pessimistic scenario were not fully met, the rumors concerning the death of the recession of 1979-80 are quite exaggerated. The 20 percent prime has become a reality, not once but twice. As late as the third quarter, data indicated that the 1980 recession would be a sharp but compact affair. The positive signs signaling recovery following the sharp second quarter slump appeared to support this view. Automobile sales were improving and housing, in response to the fall in mortgage rates, was beginning to recover. New factory orders for durables had the largest increase in ten years. In addition, the leading indicators were rising and unemployment was easing. Retail sales continued the surge which started in June. However, on the negative side the behavior of prices and interest rates argued against an early end to the recession. In light of this and other conditions, *Outlook* continued to forecast economic contraction throughout 1980 with a moderate expansion in store for 1981-82. As an alternative forecast *Outlook* viewed the positive economic signs as false echoes, and predicted that the economy was headed for a more serious decline. *Outlook* predicted a "w-shaped" recession could result and the economy could continue in a recession until the second quarter of 1981. The pessimistic scenario of 1979-80 is now the forecast for 1981. The events of 1980, with its false third-quarter signals, have crushed all hopes for 1981 and it appears that we are headed for the second worst post-World War II recession.

Florida economy

As the U.S. economy resumed a slow positive growth path in the third quarter, Florida's economy exhibited a mixed pattern of growth. The data in Table 1 illustrate this pattern. Total nonagricultural employment continued to expand, but at a slow 2.9 percent annual rate. Employment, as measured by the establishment survey, declined by 1.2 percent in manufacturing, following a 5.6 percent second-quarter drop. Employment in transportation, communication, and utilities

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Table 1.—Recent trends in Florida economic indicators (seasonally adjusted annual rates of change unless noted)

	79:3	79:4	80:1	80:2	80:3	Average 79:4-80:3
Employment	6.0	6.5	3.5	3.1	2.9	4.0
Manufacturing	4.0	5.0	2.5	-5.6	-1.2	0.2
Trade	5.5	7.2	6.0	3.0	4.0	5.1
Services	6.0	9.4	-1.7	9.1	4.9	5.4
Finance, insurance, and real estate	6.2	7.4	2.7	1.6	4.9	4.2
Construction	24.6	21.9	10.7	0.5	4.3	9.3
Government	0.9	-1.5	3.4	5.8	1.3	2.3
Transportation, communication, and utilities	9.0	9.3	3.0	-2.5	-1.5	2.1
Unemployment rate (level)	5.7	5.5	4.9	5.5	6.3	5.5
Population	3.5	3.3	3.0	2.9	2.4	2.9
Taxable sales	16.6	26.0	21.0	-8.1	12.6	12.9
Savings deposits	11.5	13.1	8.6	13.3	7.9	10.7
Housing starts (thousands)						
Single (level)	117.0	96.7	97.9	77.4	78.5	87.6
Multi (level)	78.5	70.0	85.4	56.8	69.7	70.5
Tourism						
Air (millions)	12.4	12.0	12.3	12.0	11.7	12.0
Car (millions)	20.2	21.4	20.8	20.2	21.0	20.8
Total expenditure ($ billion)	16.2	16.7	15.8	13.2	16.4	15.5

also fell by 1.5 percent, after a 2.5 percent decline in the second quarter. Increases occurred in all other major employment categories. Services and finance, insurance and real estate led the way, each expanding by 4.9 percent. Construction employment bounced back somewhat, increasing by 4.3 percent. This follows a sluggish 0.5 percent expansion in construction employment in the second quarter. The third-quarter unemployment rate rose, with 6.3 percent of Florida's civilian labor force unable to find work.

Florida's housing industry held its ground in the third quarter. Housing starts occurred at a 148,200 annual level. While this exceeds the amount of residential construction activity recorded in the second quarter (134,200 total starts), housing starts are still 24.2 percent below year-earlier levels.

In response to the second-quarter decline in U.S. economic activity, migration to Florida is slowing. Total population grew at a 2.4 percent annual rate in the third quarter, down from a 3.5 percent rate recorded a year earlier. Tourism rebounded somewhat in the third quarter following a depressed second quarter. Tourists arrived at a 32.7 million annual pace in the third quarter and tourist expenditures equaled $16.4 billion. The expansion was led by an increase in the number of tourists arriving by automobile. Air tourism fell off somewhat in the third quarter.

Florida taxable sales grew by 12.6 percent in the third quarter. This spells good news for state tax revenues following the 8.1 percent decline in taxable sales that occurred in the second quarter. Growth in sales is still far below year-earlier levels. Over the last four quarters taxable sales have expanded by only 2.5 percent in real (price-adjusted) terms.

In response to slowing population and income growth, deposits at savings and loan associations have slowed their

rate of increase to 7.9 percent. This compares to an 11.5 percent year-earlier growth rate. The availability of higher-interest-bearing certificates at savings and loan associations has prevented net savings flows from declining in this recession. Current housing problems are a result of high mortgage rates and housing price inflation. There are sufficient funds to support higher levels of mortgage lending.

National outlook

The U.S. economy was surprisingly strong in the third quarter of 1980, and current indicators suggest that this strength is carrying through into the current quarter as well. Real GNP advanced at a modest 0.9 percent annual rate in 1980:3 based on a resurgence of consumption expenditures which soared at a 5.0 percent pace. Buoyant consumer spending coupled with rising exports offset reductions in investment, government and inventories.

The third-quarter surge in consumption can be explained by three factors. First, disposable incomes rose at a rapid 3.5 percent rate. Second, price inflation moderated from a 13.7 percent pace in 1980:2 to 7.2 percent in 1980:3. Third, credit was widely available. Not only did the supply of money explode at a 16.4 percent rate, but credit controls were lifted by the Federal Reserve Board.

In this environment interest rates plummeted from their spring peaks. As a result of the lower interest rates, the higher incomes and available credit, housing markets revived and automobile sales again moved forward. Housing starts, which had fallen to an annual rate of just 1.05 million in 1980:2, rebounded to a 1.41 million clip. Moribund automobile sales advanced to an 8.7-million-unit pace.

The uptick in economic activity in the third quarter was unexpected and contrary to projections of most analysts (*Outlook* included). Historical experience and fundamental economic forces argued against this kind of rebound. On average, recessions last four quarters measured from their peak to their trough. In the six prior postwar recessions, four have lasted for four quarters, one stretched to five quarters, and the shortest was two quarters. More important, the eroded financial position of households, continuing inflation, relatively high interest rates, a rather poor investment picture and contracting employment all suggested continued weakness throughout 1980. While *Outlook* has argued that the 1980 recession would be concentrated in its initial month, no real recovery was thought to be possible prior to stimulus to be provided by a 1981 tax cut.

What happened? Two important changes occurred which propelled the economy forward after the second quarter's dizzying decline. First, credit controls were abruptly lifted. Second, beginning in May, 1980, there was a monetary explosion. Between May and September the money stock (M_2) skyrocketed at a 15.5 percent annual pace compared to a 4.1 percent annualized growth rate from January through April. This recent surge in money-supply-stimulated near-term economic activity is likely to have negative consequences in 1981.

Consumers are once again using large amounts of credit to help finance their consumption levels. After liquidating a significant amount of debt, consumers are again using an increasing amount of installment credit. This is much the same as in the winter of 1979 as consumers are again increasing their use of credit to help maintain living standards.

Industrial production rose 1.6 percent in October, with the increase spread widely across most sectors. However, these gains still leave industrial production 2.7 percent below October, 1979, levels. At the manufacturing level the book value of inventories remained virtually unchanged between June and October. At the retail and wholesale levels, inventories remained low in the third quarter. The unemployment situation continued to improve in November. However, the rebound in job creation was not enough to lower the unemployment rate, which remained virtually unchanged at 7.5 percent.

After being severely depressed in the first half of 1980, housing began to rebound in the third quarter. Housing starts have increased nearly 50 percent, achieving an annual rate of 1.4 million. Much of the rebound can be attributed to government-subsidized programs. The recent runup in interest rates should dampen current activity as consumers experience difficulty in obtaining financing. As a result, both sales and starts are deteriorating. A double-dip replay of last spring's collapse appears inevitable.

The automobile market reflects tightening credit conditions in much the same manner as housing markets. Due to heavy promotion and new-model introduction, car sales rebounded in 1980:3, reaching an annual rate of 8.7 million units. Sales and production, however, are off in October and November. Sales are down 5.2 percent for November, 1980, as compared to November, 1979.

In view of the current situation in the financial markets, the key question is what the Fed's policy will be for the next eight quarters. Chairman Volcker has described his position quite candidly of late. In a speech December 4 to the Tax Foundation, Mr. Volcker reiterated his long-held view that the Fed will hew to its current policy of controlling the growth rate of the monetary aggregates. In addition, Mr. Volcker emphasized the need for any tax cuts to be coupled with reductions in expenditures. Otherwise the resulting federal deficit will grow too rapidly. Given the current uncertainty about the stance of fiscal policy under President Reagan, the Fed is even more likely to maintain rigid control over the monetary aggregates. Clearly, Mr. Volcker feels at this juncture that the Fed is the last outpost against inflation.

Outlook does expect monetary policy to remain tight over the next two years. M_1B is projected to grow at between 6 and 7 percent per year and M_2 (M_1B plus time deposits) is expected to grow between 7 and 8 percent per year.

Fiscal policy actions over the past year were dominated by

Table 2.—Summary of national indicators (seasonally adjusted at annual rates)

	Quarterly							Annual		
	80:4	81:1	81:2	81:3	81:4	82:1	82:2	1980	1981	1982
Real GNP	1417.3	1403.3	1413.7	1425.2	1437.9	1454.8	1468.5	1420.6	1420.0	1475.0
% change	1.6	-3.9	3.0	3.3	3.6	4.8	3.8	-0.8	0.0	3.9
Real disposable income per capita	4477	4435	4460	4495	4510	4536	4560	4469	4475	4570
% change	1.7	-3.8	2.3	3.2	1.3	2.3	2.1	-0.9	0.1	2.1
Unemployment rate	7.7	8.4	8.5	8.2	8.0	7.9	7.8	7.2	8.3	7.7
Automobile sales (millions)	8.5	8.8	8.9	9.3	9.4	9.9	10.2	9.0	9.1	10.3
Housing starts (millions)	1.4	1.2	1.4	1.6	1.6	1.7	1.8	1.3	1.5	1.8
Implicit GNP deflator	10.6	10.7	10.1	10.0	10.2	9.6	9.4	9.5	10.3	9.7
Personal consumption deflator	10.5	10.6	10.2	10.3	10.2	9.6	9.5	10.6	10.2	9.8
Implicit deflator residential structures	12.0	14.5	13.5	12.8	12.5	12.5	12.5	10.1	12.5	12.6
Three-month T-bill	14.0	12.6	11.2	11.5	12.1	12.6	12.9	11.6	11.9	13.0
Time deposit rate at commercial banks	7.8	7.9	7.7	7.9	7.9	8.0	7.9	7.5	7.9	8.0
New conventional mortgage rate	14.2	13.8	13.5	13.2	13.3	13.5	13.8	13.2	13.5	13.9
Money supply growth (M_2)	6.5	7.2	7.0	7.3	7.5	7.6	7.8	8.7	7.1	7.6

near-term concerns and were often self-contradictory. Fiscal policy actions were viewed by the public as being inconsistent, ineffective and inflationary. The new administration will attempt to engineer a fundamental change in fiscal policy with the focus on inflation. The basic plan is to stimulate economic growth by reducing federal government expenditures, fostering a stable monetary policy and initiating large tax reductions to stimulate production. *Outlook* projects a 13 percent increase in expenditures in 1981 on a calendar-year basis, given increases in defense expenditures and increases in transfers associated with a faltering economy. On the receipts side *Outlook* predicts a 10 percent cut in taxes in 1981. Given these assumptions, a large deficit of $64.3 billion is expected in 1981.

National forecast

Table 2 contains the national forecast. *Outlook* expects that the mini-recovery which began in the third quarter will extend into 1980:4. Given the increases in industrial production, employment and retail sales which occurred in October and November, this is nearly a sure bet. Real GNP should grow at an annual rate of 1.6 percent this quarter. Housing starts are projected to average 1.4 million at annual rates and auto sales are running at an 8.5-million-unit pace. However, each of these markets is sliding and the recent runup in interest rates portends trouble. Treasury bills will average 14.0 percent for the quarter and mortgage rates will average 14.2 percent. Both of these crucial rates are well above their quarterly average levels at this time. Finally, inflation rates are rebounding this quarter from their third-quarter lows.

The prospects for the first quarter of 1981 are decidedly gloomy. In many respects the economy is replaying the events of last spring. Just as was true last spring, a credit crunch is underway. Excessive monetary growth and rising inflation are requiring a tightening of monetary policy, and an inverted yield curve has reappeared. This will drive home-construction and auto sales lower once again.

Industrial production is also behaving similarly to last spring. Prior to the spring contraction producers overestimated the strength of final demand and inventories built up at the manufacturing level. However, producers reacted quickly to the recession, slashing output by 9 percent to match the fall in demand. From July through September, production and orders grew simultaneously. However, final demand weakened in October, and the November surge still leaves sales no higher than they were in July in real terms. However, production of consumer goods has increased 2.5 percent since July. The imbalance is even greater for durable goods, where retail sales are flat but production has soared by 8 percent since July. These trends spell out an inventory imbalance in the first quarter of 1981 which will trigger a sharp drop in output.

Finally, consumer spending and business investment cannot be maintained at their current levels. The usual reliquification of balance sheets which occurs during recessions was nipped in the bud by soaring interest rates. Households and firms scrambled back into the capital markets to sustain expenditures levels, but this type of response is not sustainable.

Conditions in the financial markets are further constrained by the advent of The Depository Institutions Deregulation and Monetary Control Act. The multiple changes to be engineered by the act will likely reduce the amount of credit available for home financing and consumer loans but will likely increase the supply of capital funds for business. The reasons for these shifts are straightforward. First, the availability of capital for housing will no longer be subsidized via special regulations designed to insulate thrift institutions and to promote home financing. Instead, the needs for home financing will be forced to compete directly with other demands on the capital markets stemming from business and industry. Typically, home financing has fared poorly in this type of head-to-head competition. Second, business and industrial loans are generally more profitable to make than are most other types of loans. Thus, the availability of funds for consumer purchases will likely be reduced.

Figure 1.—Real GNP (in billions of dollars)

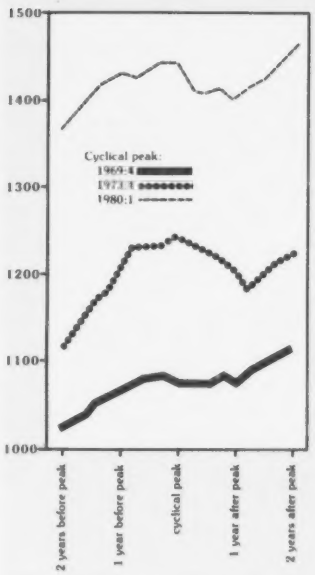
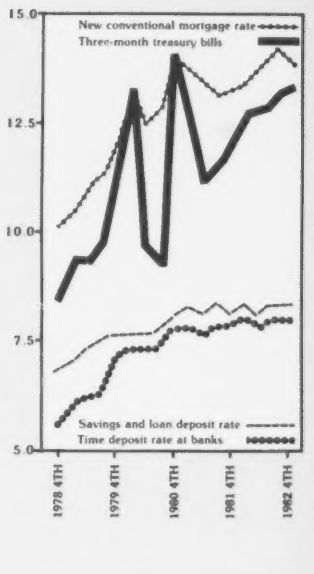


Figure 2.—Interest rates



Even with all these contractionary pressures, the decline in economic activity on tap for 1981:1 will be milder than the crash of 1980:2. Most important, the projected Reagan tax cut will help soften the blow. Second, the bearish expectations which have pushed interest rates so high cannot be maintained. Neither the real level of economic activity nor the current rate of inflation is consistent with a 20 percent prime rate. Thus, interest rates should fall through the first half of 1981. Finally, the household sector is not as overextended as it was last spring.

Real GNP is slated to contract at a 3.9 percent annual rate in 1981:1 (see Figure 1). Consumption spending will fall, output will be slashed and the unemployment rate will jump to 8.4 percent. Housing starts will again be depressed and auto sales will flatten out on average for the first quarter.

By the second quarter a sustainable recovery is projected to be well underway. The correction in 1981:1 will be a short, sharp affair and real GNP will rebound thereafter. Figure 1 displays the forecast time path for real GNP and compares this cycle to the 1969-70 and 1974-75 cycles. Notice the unique shape of the 1980-81 business cycle compared to others.

Table 3.—Summary of Florida forecast (annual rates of change)

	Quarterly					Annual		
	81:1	81:2	81:3	81:4	82:1	1980	1981	1982
Income								
Personal	12.5	9.2	14.0	10.2	12.8	13.5	13.7	12.3
Real personal	1.7	-0.2	3.5	-0.5	2.9	2.6	3.2	2.3
Population	1.7	1.5	1.9	1.5	1.6	3.0	1.9	1.7
Housing								
Single-family starts (000s)	71.5	68.5	76.4	65.2	65.6	83.0	70.4	70.0
Multifamily starts (000s)	82.4	79.7	75.7	72.6	70.5	73.8	77.6	71.3
Employment								
Total	0.5	0.4	1.7	1.4	1.4	2.1	1.9	1.6
Total nonagricultural	-1.4	-1.3	1.9	0.8	1.3	4.1	0.5	1.6
Unemployment rate (level)	7.2	7.8	7.9	8.3	8.1	5.7	7.8	7.8
Tourist visits (millions)	33.2	33.2	33.0	33.0	33.2	32.8	33.1	33.4

Figure 2 displays the projected path for interest rates. Both three-month treasury bills and mortgage rates are forecast to peak in 1980:4, well above their previous record-shattering levels reached in 1980:2. Interest rates will then fall during the first half of 1981 in response to slower monetary growth and lower levels of economic activity. As the recovery progresses in 1981 and into 1982, interest rates are projected to rise steadily. The three-month treasury bill rate is projected to average 11.9 percent in 1981 and 13.0 percent for 1982. Mortgage rates will follow a similar time path, reaching 13.5 and 13.9 percent for 1981 and 1982 respectively.

The recession can provide little help in damping inflation in 1981, but some progress is in store for 1982. A number of factors will combine to maintain double-digit inflation in 1981. First, food prices will rise at double-digit levels throughout 1981 because of a relatively poor harvest in the U.S. and elsewhere, and because stocks of food are already somewhat below normal. Second, the high levels of interest are putting pressure on household and business costs. Third, the excessive monetary growth which occurred between April and September of 1980 will place additional pressure on prices in the first half of 1981. Fourth, oil prices will continue to increase at a rapid pace. Finally, productivity gains remain weak while business costs continue to escalate. The result is soaring unit labor expenses. For all these reasons inflation is projected to exceed 10 percent in 1981.

Price pressures should abate somewhat in 1982 even with a recovery in progress. First, *Outlook* expects the Fed to meet its monetary targets, and this is consistent with a moderating trend for inflation. Second, we expect fiscal policy under Reagan to be modestly successful. Expenditures are forecast to moderate some and output should be rising in 1982. These trends also help to damp the rise in prices.

Florida forecast

Florida will continue to experience the consequences of the national recession, which will extend into 1981. The false recovery of 1980:3 created hopes of a short and modest recession for Florida. However, the rapid rise of interest rates and the uncertainties for 1981 indicate that the recession for Florida will indeed be real. While retail sales and tourism will close out 1980 with improved performance relative to the first half of the year, they will soften in 1981. In fact tourism and housing, while finishing strong, were weak by earlier standards.

The continued slump in the national economy will cause dislocations in Florida. The high interest rates will have a

direct and immediate impact on the Florida economy. Normally, national activity is transmitted to Florida through four sectors: residential construction, manufacturing, tourism and population growth. The higher interest rates will have severe impacts on all these sectors. In fact, the adverse impacts of the first phase of the national recession were somewhat mitigated by Florida's rapid response to the third-quarter expansion. These impacts have been postponed and will be clearly evident in 1981. The tourism and housing expansion in 1980:3 was primarily a response to relatively lower credit costs and pent-up demands from 1980:1 and 1980:2.

The real effects of the current recession in Florida will be visible in the first half of 1981. The impacts could be shortened if the national economy responds to an effective monetary and fiscal policy. The Florida Forecast is presented in Table 3. Given the continuation of the recession forecast for early 1981, *Outlook*'s population forecast has become more pessimistic. Population is expected to expand by only 159,000 in 1981. While this is lower than our previous forecast, it still compares well to growth in previous recessions. During the 1974-75 recession, a much more severe downturn than the current one, population change fell to 118,000. During the 1969-70 recession, a relatively mild decline, population growth fell to 154,000. Figure 3 compares the migration components of Florida population change over the last two business cycles. The primary force behind the decline in population is a decline in labor-force migration.

As a response to reduced population growth, high mortgage rates and continued housing price inflation, housing starts in Florida will continue to fall in 1981. The forecast for housing starts is illustrated in Figure 4. The decline will not be drastic. Housing markets are currently tight in Florida and with little inventory, builders will not reduce construction drastically. This compares to the 1974-75 recession when Florida builders held a large inventory of multifamily units. The interest-rate scenario forecast by *Outlook* will keep the housing recovery slow. Mortgage rates will decline somewhat in 1981 and then level off at around 14 percent in 1982. The short upturn in rates in 1982 will cause another small drop in housing starts, with a full recovery beginning in the second half of 1982. As population growth moves closer to a 200,000 annual level in 1982, the housing recovery will be aided. Rising mortgage rates will have a greater impact on single-family construction than on the building of multifamily units. Multifamily housing construction will hold fairly steady over the next years. Overall, tourism will be flat throughout the forecast period. In response to the first-quarter drop in U.S. economic activity, both the number of tourists and expenditures by tourists will decline in the second quarter of 1981. Part of the expenditures decline will be triggered by a decline in the average length of stay. Typically, Florida recessions are characterized by stability in the number of tourist arrivals, with fluctuations occurring in the amount of time visitors remain in Florida. This is again expected to be the case in 1981.

Figure 3.—Migration of people under age 65 (in thousands)

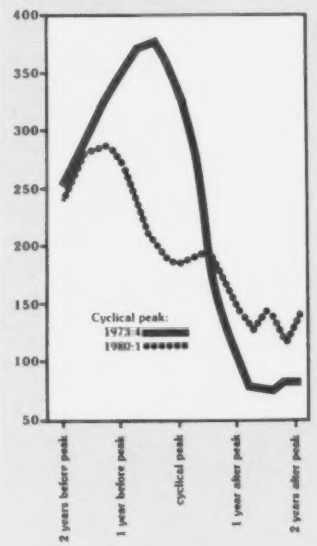
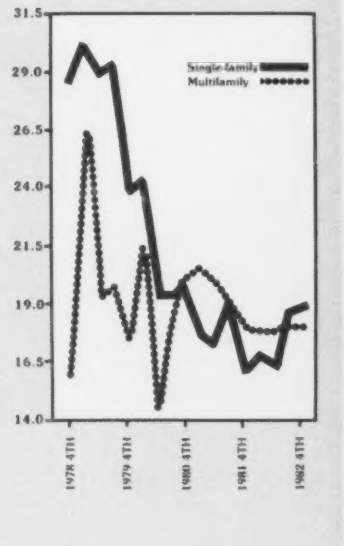


Figure 4.—Housing starts (in thousands)



Total employment, as measured by the household survey, will continue to grow slowly over the next two years. Total nonagricultural employment, however, will register a decline during the first half of 1981. This decline will be caused largely by declines in tourism and population-related industries such as trade and services. In 1980, total nonagricultural employment never contracted despite the severe second-quarter national decline. The initial effects of Florida's recession were felt in manufacturing. But since manufacturing accounts for only 12.4 percent of Florida's employment, the decline of this sector did not bring the whole economy down. Declines in trade and services, however, are more damaging to Florida's economy since together they make up 49 percent of Florida nonagricultural employment. Declines in construction employment, accounting for 7.7 percent of nonagricultural employment, will also have a strong impact on Florida employment trends. The unemployment rate in Florida is expected to peak at 8.3 percent at the end of 1981.

Real personal income in Florida is expected to fall in the second and fourth quarters of 1981. This forecast is a result of sluggish earnings growth in Florida combined with our expectation of continued high inflation. Excluding transfer payments, the component of income which automatically rises during recessions, the real income decline would be more severe. As social security rates increase in 1981, a further dent will be put in personal income for Floridians. The maximum income decline in the last (1974-75) recession was 6.1 percent in the fourth quarter of 1974, while the maximum decline of this recession was 1.3 percent in the first quarter of 1980.

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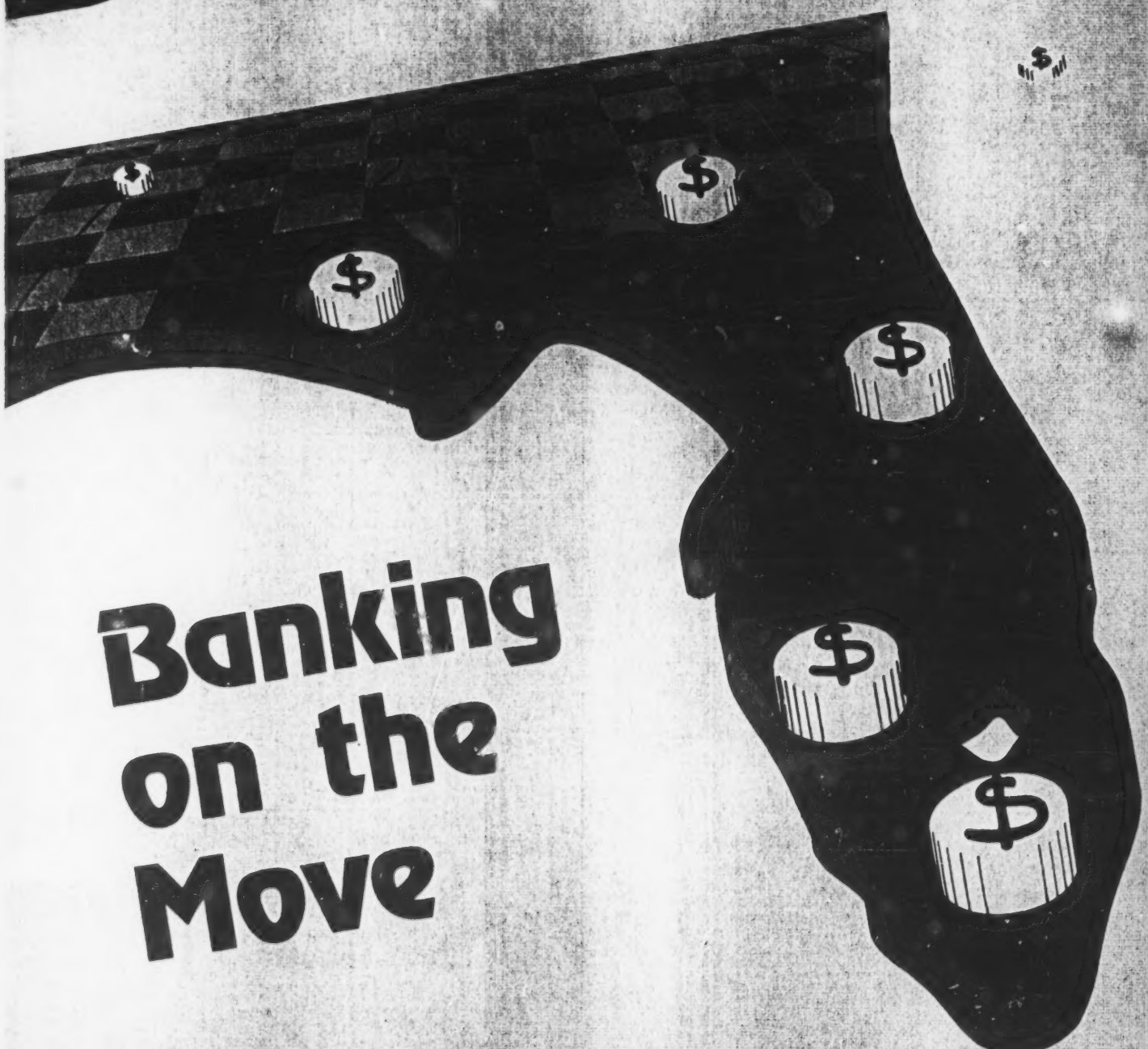

Banking on the Move

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introgram

"Of the 165 foreign banks operating in the United States, 42 have offices in three or more states." This remark was made by Walter B. Wriston, chairman of Citibank, at its annual meeting April 21. "But," he continued, "Citibank is denied the same privilege." Looked at from New York such a restriction may seem unfair when purveyors of other services have the freedom of marketing in all fifty states.

Looked at from Florida by Joel R. Wells, Jr., president of Sun Banks, the prospect of an "invasion" by financial institutions from New York or other states seems more like "economic colonialism." His predictions for Florida banking in the next nine years comprise the first article in this issue of *Business and Economic DIMENSIONS*, which is devoted to the probable effects on Florida financial institutions of the Depository Institutions Deregulation and Monetary Control Act of 1980.

Concern regarding new institutions and new competitive relationships being experienced during the eighties is also the theme of an article by Raleigh W. Greene, chairman of the board of the Florida Savings and Loan Association. Changes in both the structure of thrift institutions and the environment in which they now must operate are the subjects of his article. Interstate mergers are seen as a future event to be reckoned with by savings and loans as well as by commercial banks.

One might assume from reading these two accounts that the traditional small independent bank once so dear to the hearts of legislators in unit-banking states like Florida is about to succumb to giant chains from within or without Florida or even from places outside the country. Walter L. Law, executive director of the Independent Bankers of Florida, presents a number of facts indicating that the idea of an early funeral for small banks is premature indeed.

As banks in Florida expand through mergers and branches, the possibility of competition from out-of-state banks needs to be weighed against the possible profit opportunities of branching into other states in the South and beyond. So argues Donald L. Koch, senior vice-president of the Federal Reserve Bank of Atlanta, in an article dealing with pressures being felt by the industry. He suggests that both technology and economics have changed, perhaps to the point where purely intrastate banking has become obsolete.

An added environmental factor that has already been mentioned is the movement into the United States in general and Florida in particular of banks chartered abroad. The effect of these developments on the role of Miami as a burgeoning international financial center is discussed by Sheila D. Trifari, senior vice-president of the Southeast First National Bank of that city.

Turning from structure to activities of banks and savings and loans, Ron Dodson of the Bureau staff points out the problems that have been created by rising interest rates on the market for home mortgages. He describes various new methods of "creative financing" which seek to restore the ownership of a single detached house as a viable option for the American family.

—Ralph B. Thompson
Editor

CHANGES CHALLENGE FLORIDA'S FINANCIAL INSTITUTIONS

Joel R. Wells, Jr.

President
Sun Banks of Florida, Inc.

The banking industry today is in the midst of its most turbulent regulatory and structural environment in decades. Throughout the nation, the traditional business of banking is being besieged from within and without.

The country's largest financial institutions are moving to position themselves across state lines, employing whatever *ad hoc* combination of Edge Act[1] offices, trust activities, finance companies, and loan production offices that seems most likely to avoid existing restrictions on cross-state entry. At the same time, money-market funds, cash management accounts, and similar services operated by nonbanking firms are competing directly for consumer and commercial deposits that were once the province of more traditional financial institutions.

While doing little to remove the archaic regulations that prevent banks from competing aggressively with the growing horde of brokerage houses, retail firms, and other businesses that "quack like banks," bank regulators and Congress are eroding the distinctions among banks, thrifts and credit unions.

Many of these changes are having and will continue to have a substantial impact on the banking industry in Florida. Because of its dynamic growth, its wealth of retail "core" deposits, and its key geographic position, Florida is an increasingly important center of finance. As the London *Financial Times* reported in October, 1980, "Florida has little doubt about one thing these days: it is on its way to becoming one of the great financial centres of the world."

Florida's size, resources, and continued, dynamic growth make the state an exceptional banking market.

The 1980 census shows that Florida is now the seventh largest state in the nation with a population of approximately 9.7 million. In 1950, the state's population was only 2.8 million and Florida ranked as the twentieth largest state in the country. A decade ago, Florida's population was only 6.8 million.

The coming decade promises to be equally impressive. During the 1980s, for the first time in history, Florida's annual population expansion is expected to exceed that of California and Texas. By 1990, Florida may well be the fourth largest state, exceeded only by California, Texas, and New York.

As the fastest growing of the nation's ten largest states, Florida is an increasingly important center of commerce. Its size, growth, and tourism make it an important retail and wholesale market in and of itself. As the most convenient link to the burgeoning South American and African markets, Florida continues to attract distribution centers, import/export firms and international financial institutions. In addition, the state's excellent climate, enviable living conditions and favorable tax environment are leading more and more firms to relocate their national, regional and international offices here.

Florida's growth and economic diversification have fueled significant increases in the deposits held by the state's banks. In the last decade alone, total deposits in Florida's commercial banks more than doubled from approximately $14 billion at the end of 1970 to

[1] *"Edge Act" is the popular name for a 1919 addition to a national statute dating from 1913. The act allows banks to operate across state lines to set up financial centers in other states to handle international transactions.*

more than $36 billion on December 31, 1979. Of the ten states leading in commercial bank deposits, Florida ranked second in rate of growth from June 30, 1970, through June 30, 1979. During this period, Florida's incremental increase in deposits was exceeded only by that of New York, California, Illinois, Texas, and Pennsylvania.

Savings deposits held by the state's thrift institutions have also increased significantly during the past decade, growing more rapidly than, and actually surpassing, the total deposits held by Florida's commercial banks. From December 31, 1970, to yearend 1979, total savings held by Florida's thrift institutions increased from $8.2 billion to $39.6 billion, providing substantial competitive opportunity for the state's commercial banks.

This history of exceptional deposit growth is expected to continue in the eighties. Although the share of deposits that may ultimately be held by other financial intermediaries is difficult to estimate, Florida's commercial banks could hold in excess of $100 billion in deposits by the end of the decade.

The structure of Florida banking

Prior to the mid-sixties, commercial banking in Florida was characterized by a large number of relatively small independent banks and various bank groups affiliated through common share ownership. During the mid-to-late sixties, the Florida bank holding-company movement took root, permitting the establishment of larger banking organizations capable of serving the growing financial needs of the state.

Despite the substantial benefits associated with the new holding-company environment, Florida remained a unit banking state for many years. As a result, any new banking office had to be capitalized, operated and staffed as a separate new bank. In late 1973, limited service walk-up/drive-in banking offices known as "one-mile remote facilities" became permissible, but the total number of offices opened was relatively small due to a restriction limiting each bank to one such facility located within one mile of its main office.

Limited countywide branch banking became permissible on January 1, 1977, marking the most significant change in Florida banking structure since the initial holding-company movement of the sixties. This law allows each bank to apply for up to two new branch offices per year in the county where the main office of the bank is located. In addition, branch offices may be created through the merger or consolidation of two or more existing banks located in the same county. Branches created by merger are not included in the two-branches-per-year limitation.

The countywide branching law permitted Florida banks to improve customer convenience through additional facilities. The merger aspect of the law also provided sound opportunities to reduce costs, strengthen management and facilitate customer service. Despite these important advantages, the county boundary restrictions contained in the 1977 law still imposed serious limitations on improving operations and customer convenience, particularly where separate banking institutions and branch networks were required to serve each of the counties in a single metropolitan area.

During the first half of 1979, the Florida Legislature considered a statewide branching-by-merger bill designed to permit the merger of banks in existence for more than a minimum period, without regard to county location. Although this proposal was adopted by one house, it did not become law. However, in late November, 1979, the Florida Legislature met in special session on several matters, and adopted the statewide branching-by-merger proposal. This law became effective in December, 1979, although it provided that the Florida Department of Banking and Finance was not required to take final agency action on an application for the establishment of a branch through multicounty merger prior to July 1, 1980.

This law permits statewide mergers of existing banks incorporated for more than three years at the time of merger (following regulatory application and approval). The resulting or parent bank may continue to take advantage of the countywide branching law by applying to establish up to two new branches per year in its home county (as was permitted before 1979) and up to two more new branches per year in the county where the merged bank was located. Thus, the new law allows the "systemwide" consolidation of

"A new structure of banking will be forged in this nation during the coming decade. The choice is between piecemeal, stopgap change and comprehensive planned reform."

multiple holding-company banks into a single bank (assuming all of the banks to be merged have been incorporated for the required minimum time) without sacrificing the benefits of Florida's countywide branching law.

Although the 1979 law does not permit direct statewide or contiguous-county branching, it does offer opportunities for more economical expansion into new counties. For example, a bank holding company, upon receipt of proper regulatory approvals, may expand into a new county by capitalizing and establishing a separate bank. After this new bank has existed for three years, the holding company can apply for permission to merge the bank into one of its other existing banks, thereby transforming the new bank into a branch and transferring the capital previously used to establish it to the resulting bank or parent-bank holding company.

On a larger scale, Florida has adopted a number of changes designed to encourage international banking. In 1977, foreign banks were first allowed to open representative offices and agencies in the state. Since then, additional legislation has ensured that foreign banks in Florida will enjoy competitive equality under legislation passed at the national level, and has excluded most international banking transactions from state taxes. Today, approximately twenty foreign banks have offices in Miami. In addition, approximately twenty-five Edge Act offices have been established there, almost all by U.S. banks. Miami boasts the second largest number of Edge Act offices in the country, exceeded only by New York City.

Certain change

The decade of the eighties promises to be a great era for Florida and for Florida banking. The state's continued, dynamic growth seems likely to fuel further expansion in the banking industry. As Florida's economy continues to diversify, the state's banking organizations will enjoy increased commercial business. At the same time, consistent growth in retail consumer deposits will supply continued sources of "core" deposits, although at higher, deregulated rates.

The real imponderable in the future of Florida banking is what the structure of the industry will be, particularly in the context of deregulation. A number of proposals have been made to restructure the nation's banking system. These include such measures as permitting bank holding companies to acquire banks across state lines, allowing banks and other depository institutions to establish branch offices across state lines, and reducing or otherwise altering the regulatory restrictions applicable to banks and other depository institutions.

The question is not so much whether change will occur, but how and when. A new structure of banking will be forged in this nation during the coming decade. The choice is between piecemeal, stopgap change and comprehensive, planned reform.

As a key target market, Florida has a vital interest in the outcome of the discussions on banking structure. The issue is one of economic self-sufficiency. Do we create an environment in which Florida's banking organizations can continue to grow, to become major regional banks consistent with Florida's size and importance as a major state? Or do we adopt piecemeal changes that foster a system of economic colonialism dominated by money-center "super banks"?

Florida already enjoys a brisk competitive environment in all types of banking, and an exceptional economy. With the advent of interstate banking, or before, a realistic policy on bank mergers and acquisitions could create stronger, larger competitors, headquartered in Florida, to serve the state's continued economic growth in the decade of the eighties and beyond.

In the interim, further movement toward consolidation in the Florida banking market seems likely as banks face the increased prospects of heightened competition and costs of funds. Indeed, the decade of the eighties may become known as the second great consolidation phase in Florida banking, having equal importance to the initial bank holding-company movement of the mid-sixties and early seventies.

S&Ls FACE PRESSURES, PRIVILEGES

Raleigh W. Greene

Board Chairman and President
Florida Federal Savings and
Loan Association

The Florida savings and loan industry has entered the unique economic environment of the 1980s in a special posture.

S&Ls in Florida obviously are not immune to the negative influences bearing on the industry nationwide. It's important to note also that the challenges felt by S&Ls in the 1980s are not unlike those felt by commercial banks, except in their degree of intensity.

At the same time, Florida S&Ls are coming from a position of strength unlike that enjoyed in any other state.

Consider the circumstances:

1. No end in sight after two years of record-breaking inflation which has helped keep interest rates at double-digit levels, pushing the cost of major borrowing beyond the reach of most families.

2. Unprecedented volatility of interest rates, now commonly moving as much as a full percentage point within days, negating all the old rules of long-term financial planning and lending for families and financial institutions alike.

3. "Deregulation" of depository financial institutions, putting commercial banks and savings and loans in head-to-head competition after 150 years of peaceful coexistence.

4. A sudden emergence of money-market funds and other nondepository investment businesses, which are consuming rapidly increasing portions of available capital.

5. Interstate banking, already a significant reality, coming on fast and promising to inject a whole new competitive factor into traditional financing in the years just ahead.

6. And on the positive side, the situation in Florida as the only state in the union where savings and loan assets exceed those of commercial banks. That, combined with our growth economy, gives Florida S&Ls a degree of leverage in the current economic climate which should be the envy of the industry nationwide.

The final point notwithstanding, the first five present no small challenge to any traditional financial institution, and they create a particularly difficult situation for the savings and loan industry, which is denied almost every means of prompt response to changing economic conditions.

One major commercial bank, for example, turns over 45 to 50 percent of its loan portfolio every year, and at least two-thirds of its loans will come due in no more than two years. Thus, as the rules of the game change and as interest rates fluctuate as they are today, that commercial bank can adapt rather quickly to the new circumstances.

The savings and loan industry is, on the other hand, not privileged to that flexibility. Indeed, the historic mandate of the savings and loan industry has been to provide long-term, fixed-rate financing for housing. The industry has been forbidden by law and regulation from investing more than a tiny fraction of its portfolio in the kind of shorter-term loans which allow other lenders to adapt to changing conditions.

In any given year an S&L can expect to turn over only about 14 percent of its loan portfolio. Today that percentage is actually on the decline as more and more families are forced to stay put and hold on to the low-rate mortgages they took out several years back. At the same time, the S&L must constantly "reborrow" from savers, at today's inflated

rates, all the money it already has on loan. In effect, the S&L's income is established years in advance by its portfolio of long-term, fixed-rate mortgages, with no regard for what has now become an enormous inflation in the cost of funds.

The result of these combined influences, in just the last year, has been an inflation of the average rate paid on savings to a level which is double the increase S&Ls have been able to earn on lending. The average spread between the cost of savings and what an S&L earns from its loans, before operating expenses, dropped from 1.525 percent in 1979 to 0.737 percent in 1980. In the same period, net income dropped from 0.573 percent to 0.121 percent and conditions are worsening so far in 1981.

So far, the Depository Institutions Deregulation and Monetary Control Act of 1980 has done more to aggravate than to solve the particular problems of S&Ls, at least in the immediate situation.

New services authorized by the law, such as checking and consumer lending, necessitate major new staff and advertising expense with the promise of minimal immediate returns, at a time when S&L earnings already are at a fifty-year low.

Almost all the immediate impact of "deregulation" has fallen on the assets side, serving to drive the cost of money higher without giving S&Ls reasonably compensating benefits to help boost earnings. This is helping perpetuate the crisis in housing, construction and the earnings of S&Ls themselves.

The new powers should ultimately benefit the S&L industry and its customers by providing shorter-term lending powers and full banking privileges.

Some might quarrel with the limitation that S&Ls can devote only 20 percent of their assets to consumer loans. On the other hand, it should be argued that the basic mission of S&Ls as a housing lender should be perpetuated and the 20-percent-of-assets limit on consumer lending is sufficient to give customers the fuller banking services they've been denied in the past.

The most urgent needs now are:

1. To get on quickly with the deregulation of mortgage lending, so institutions can competitively develop interest-sensitive mortgage plans which will allow them to offer at least modestly lower rates immediately, with the promise that they could be adjusted to meet future fluctuations in the cost of money. Few prudent lenders, concerned about the security of their savers, would offer long-term, fixed-rate financing today; and the alternatives authorized as of this writing offer so little flexibility as to provide virtually no relief.

2. To slow down the deregulation of savings account interest. It will take five to seven years to phase out a major portion of the S&L s' existing portfolios of long-term, fixed-rate mortgages and replace them with reasonable lending programs.

The two sides of deregulation must go hand in hand.

Beyond those considerations, deregulation has a number of implications for the savings and loan industry.

The increased competition it will produce, as witnessed by the immediate response to interest-bearing checking accounts (my own institution opened more than 25,000 of these accounts within three months of their inception), should be helpful to all consumers of financial services. Along with the gradual phase-in of consumer lending services, this will allow S&Ls to offer vastly better service to all consumers of banking services.

Deregulation should also curtail the unprecedented growth of both bank and savings and loan facilities witnessed in Florida during the 1970s.

Florida now has more savings and loan offices per capita than any other state but Hawaii, and commercial banks led all the states in the number of new offices opened during the 1970s.

With savings and loans gaining something approximating full banking powers, the number of "banking" offices in the state has suddenly redoubled again.

Two other emerging factors—the increasing sophistication and acceptance of electronic banking and the "rate competition" which ultimately will come from deregulation—should also diminish the importance of convenient neighborhood offices.

Consider, for example, that money-market funds in Florida, with only a handful of offices but highly competitive rates, have captured

the equivalent of 25 percent of Florida's S&L deposits, approximately $10 billion.

Enter new competition

The biggest immediate consideration for both banks and savings and loans in Florida is the sudden emergence of almost totally unregulated competition for deposits.

This is important to all depository institutions, but especially so to savings and loans, whose long-term lending portfolios make them particularly sensitive to disintermediation. The potential consequences of a major outflow of deposits from an institution which has already committed its funds to long-term mortgages should be readily apparent.

The most obvious example of these "alternative depositories" is the money-market fund. These funds, without the reserve requirements and investment restrictions which limit the earnings of traditional depository institutions, have already captured approximately $10 billion in assets in Florida, making our state one of the three ripest climates for their operations. Nearly 10 percent of all the money invested in money-market funds throughout the U.S. comes from Florida. Only New York and California exceed us in this category, and not by much.

Despite the obvious pitfalls of putting essential funds in a largely unregulated and uninsured depository, these money-market funds and variations of them are likely to remain a major factor in Florida finance for the foreseeable future.

Enter interstate banking

Contrary to a lot of popular notions, interstate banking is already a significant reality and Florida is one of the two or three biggest targets of those who want to branch across state lines.

Consider these facts:

1. Nearly 40 percent of all the money put into money-market funds is going into out-of-state-bank, savings- and- loan and Euro CDs. That means that the equivalent of 10 percent of all Florida savings and loan assets are being channeled indirectly into large money-center banks.

2. Florida is second only to New York in Edge Act banks and deposits. The Edge Act provides a "loophole" to traditional prohibitions against interstate banking by allowing institutions to branch across state lines to do "offshore" business. Miami now has at least fifteen Edge Act banks with assets of more than $1.4 billion, all of them trying to capitalize on our state's access to the Southern Hemisphere. Interestingly, a Miami bank recently established its own Edge Act subsidiary to compete directly in the New York market.

3. Money-center banks already are establishing "loan origination offices" in metropolitan areas of Florida. While these offices can't collect deposits, they are finding Florida to be a lucrative lending area.

4. The Federal Home Loan Bank Board recently authorized interstate mergers of S&Ls in distress situations. None has yet occurred, but the likelihood that they will is extremely strong.

5. One of the dying acts of the Carter Administration was to recommend full interstate banking privileges.

Interstate banking already is a de facto reality and will soon be a fully legalized fact. Only the timing and precise style of legislation authorizing interstate banking is in question. It appears that we are looking three to five years in the future before it can be legislated by Congress and become effective. Meanwhile, large and important questions remain on the style of interstate banking which will be approved. Will banks and S&Ls be permitted to branch only into adjoining states? Will it be a regional banking system? Or will it be fully national?

Whatever is adopted now, it seems inevitable that we're looking toward a fully national system of banks and savings and loans before the end of the 1980s. This will, of

"Whatever is adopted now, it seems inevitable that we're looking toward a fully national system of banks and savings and loans before the end of the 1980s."

"Existing economic circumstances already have created a strong trend toward mergers and will mean a diminishing number of independent S&L s."

course, provide some opportunities for Florida banks and S&Ls to extend their reach.

More important, as a state which already enjoys a relative surplus of capital and is already developing its potential as a hemispheric banking center, it will mean enormous new competition and challenges for all banks and S&Ls in the state.

Enter the future

The United States has traditionally had one of the most decentralized banking systems in the world, in terms of both the number and specialization of our financial institutions.

That's now fading rapidly.

The implications of this on the structure and function of savings and loans will be enormous, particularly in Florida.

Existing economic circumstances already have created a strong trend toward mergers and will mean a diminishing number of independent S&Ls. Many smaller S&Ls are finding it simply impractical to cope with current market conditions and are actively pursuing the option of mergers with larger savings and loans so they can enjoy the economies of scale and the strength of more extensive resources.

The merger trend will almost certainly be accelerated by deregulation. As banks and S&Ls become more similar in their functions, there is bound to be a trend toward mergers between the two.

With interstate banking, the trend should move faster. Many out-of-state institutions seeking a base in Florida will see mergers with existing institutions as a far more expeditious way to establish their base than the option of opening entirely new offices. Interstate banking will also mean that larger amounts of Florida's available capital will move into less capital-rich parts of the nation.

Deregulation is already bringing more competition for the consumer finance and investment dollar, as witnessed by the large numbers of people signing up for S&L checking accounts and the entry of S&Ls into consumer lending.

Ultimately, when a genuinely variable-rate lending instrument is made available for home mortgage lending, we can also look forward to more competition between banks and S&Ls in that area of lending. S&Ls should continue to be the primary housing lender, but better lending instruments will entice more and more bankers into mortgage lending.

Despite interstate banking and increased competition, we should see a decline in the growth of new S&L offices due to the increasing popularity and acceptability of electronic banking and the fact that increasing numbers of savers will be shopping for the best rates rather than convenience. People will be inclined to drive across town for a better interest rate, much as they would for a clothing sale at a discount store.

Looking further, while S&Ls in Florida can't escape the pressures bearing on the industry throughout the nation, we do enjoy special privileges which few others can share. Basically, we are coming from a position of strength:

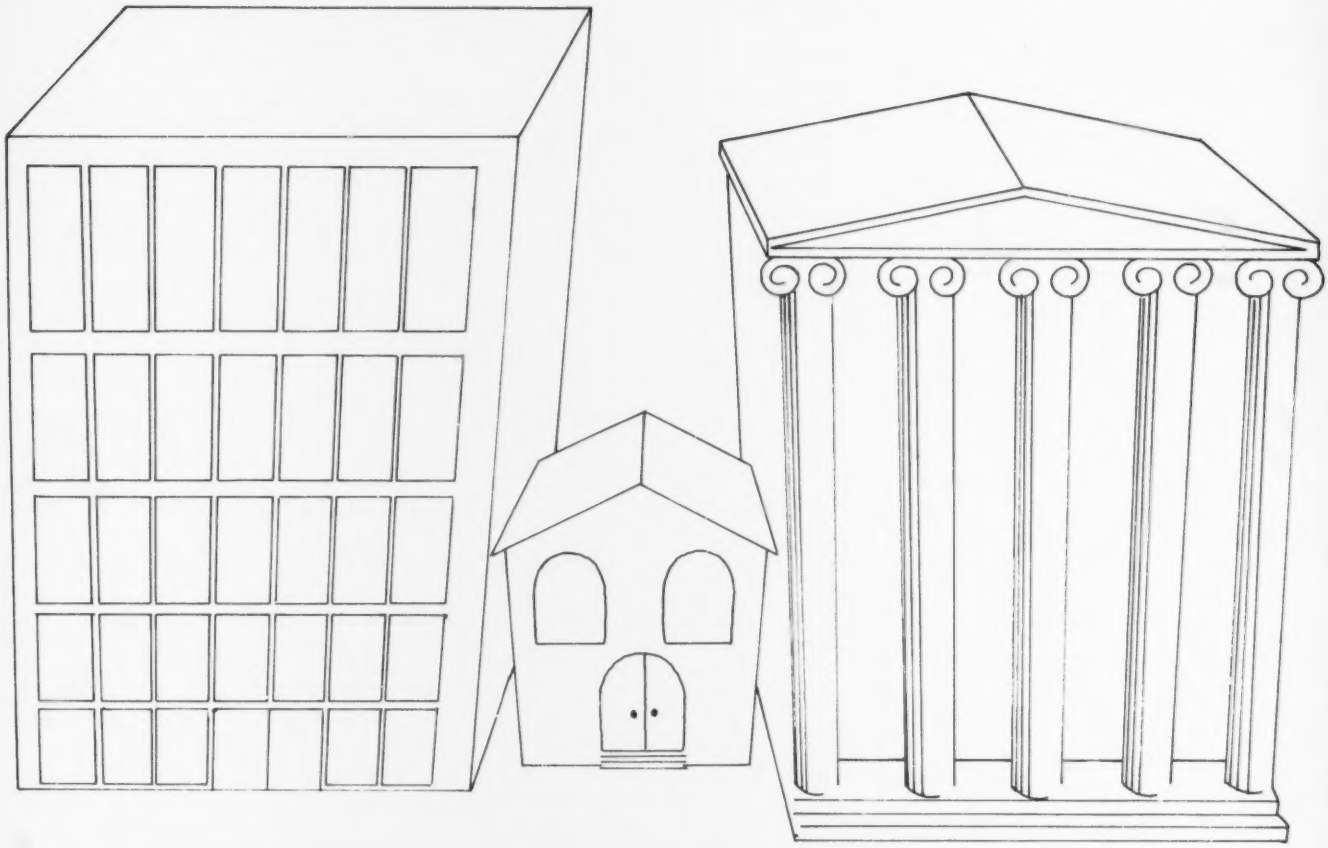
1. We're operating in a state with what may be the most dynamic savings and investment climate in the nation.

2. Unlike most states, where S&Ls are strictly junior partners in the financial community, Florida savings and loans are the largest holder of wealth in Florida. Their assets are in excess of those held by commercial banks.

3. Our legislature last year enacted what is generally considered to be the best S&L code in the nation, giving all Florida S&Ls the option of operating under a state charter which grants a degree of financial and investment flexibility unmatched anywhere else in the U.S.

Flexibility is the most essential key to survival and prosperity for the S&L industry in the years ahead.

In other words, while Florida S&Ls are in no way immune to the economic trends afflicting the industry nationwide, we are coming from a position of strength which no other state can duplicate and which should ensure a successful future.



INDEPENDENT BANKERS PREPARE FOR THE 80S

Walter L. Law

Executive Director
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Some industry observers and money-center bankers are predicting that the small, independent bank is not going to survive the eighties. But we generally find that the public relations offices of the big money-center banks are the authors of the small bankers' epitaph, not the small community bankers themselves.

In fact, the entire banking industry is experiencing competitive pressures from a number of sources: inflation, volatile interest rates, new nonfinancial competitors and crushing government requirements. We can expect these same pressures to be with us through the eighties. Their impact will affect all financial institutions and require careful and deliberate action by bankers in order to achieve success.

First, let us deal with the perception that the days of the small banks are numbered. The demise of small banks has been discussed and written about by banking theorists for years,

"The successful banker or businessperson, big or small, is the one who can recognize and evaluate competition and react constructively to meet it."

"Legislative deregulation, while ominous and previously unknown to bankers, has already impacted our lives via the airline industry, the trucking industry, the energy industry (oil and gas) . . ."

but only recently has it surfaced in the popular press.

A recent article in the *New York Times* said, in part, that there is a "growing fear among many of the nation's 14,700 commercial banks that they will not be able to survive the changes that have been taking place in the country's financial system. There is little doubt among bankers that over the next few years, the number of banks will be reduced as a result of mergers and acquisitions."

Among other recent articles, one in *Newsweek* entitled "Invasion by the Big Banks" asserted, "Many small banks cannot afford the electronic technology that is transforming the industry. A shake-out seems inevitable, perhaps slashing the number of banks, savings and loan institutions and credit unions in half by the end of the decade."

The public visibility of this discussion about the death of the small, independent community bank was stimulated by congressional passage of the Depository Institutions Deregulation and Monetary Control Act (PL 96-221). Legislative deregulation, while ominous and previously unknown to bankers, has already impacted our lives via the airline industry, the trucking industry, the energy industry (gas and oil)—all in the name of increasing competition that will lead to lower prices and better services for the consumer. In fact, in deregulated industries the results have been escalating prices, huge profits for some companies and impending disaster for others.

For the banker in Florida, deregulation means money-market mutual funds, loan production offices, Edge Act corporations, foreign banks, holding companies, competition from thrifts and credit unions and branch banking. None of these is new to the independent community banker in Florida. We may see or hear of a product or a competitor with a new name, but the pressures of competition have always been present.

The needs of an urban community will change, and an institution which fails to recognize these changes will ultimately fail to prosper. Even in rural communities changes occur, but at a slower rate. However, whether urban or rural, competition will never diminish; there will always be someone else developing a way to do business differently or more efficiently or simply, with more flair. The successful banker or business person, big or small, is the one who can recognize and evaluate competition and react constructively to meet it.

Table 1.—Income and expense ratios

Ratio	Smallest banks		Largest banks	Second smallest banks		Second largest banks
Net income/total assets						
Number of observations	177		94	111		83
Average value	0.963		0.878	1.013		0.915
t-value		1.45			2.80[1]	
Net income/total equity capital						
Number of observations	93		178	79		115
Average value	9.865		13.543	12.396		13.519
t-value		5.53[1]			2.37[2]	
Noninterest expenses/total assets						
Number of observations	207		64	122		72
Average value	3.888		2.917	3.441		3.224
t-value		10.85[1]			2.90[1]	
Interest expenses/total assets						
Number of observations	34		237	49		145
Average value	3.639		4.571	3.809		4.310
t-value		15.94[1]			8.71[1]	

[1]Indicates difference is statistically significant at the 1 percent level.
[2]Indicates difference is statistically significant at the 5 percent level.
Source: "Can Small Banks Compete?" The Bankers Magazine, January/February, 1981.

Another view

A number of studies contradict the big-bank speechmakers who are busily preparing gravesites for their small bank rivals. A recent publication[1] by Stephen A. Rhoades and Donald T. Savage, Federal Reserve Board economists, Washington, D.C., reviewed the evidence on:

1. the growth of small, independent banks relative to larger organizations;
2. the profitability of small, independent banks relative to larger organizations;
3. economies of scale; and
4. electronic funds transfer (EFT).

[1]*Stephen A. Rhoades and Donald T. Savage, "Can Small Banks Compete?", The Bankers Magazine January-February, 1981.*

The Rhoades/Savage article reviewed several empirical studies and came to these conclusions:

Growth—"Overall, then, with respect to growth, there is some existing evidence which suggests that small banks can grow rapidly in an environment that includes large banking organizations, and that new entry by large organizations does not adversely affect their growth rates."

Profits—"The existing evidence, then, indicates that small banking organizations remain profitable when faced with competition from large organizations."

Economies of Scale—"Overall, however, economies of scale in banking are not especially important. Therefore, small independent banks should be fairly cost-competitive with much larger organizations."

Electronic Funds Transfer—"It appears, then, that even at its present state of development, small independent banks can indeed use EFT equipment. Furthermore, in view of the dramatic advances in computer technology, which are expected to continue, the cost of EFT equipment is likely to decline."

Table 2.—Loan ratios

Ratio	Smallest banks		Largest banks	Second smallest banks		Second largest banks
Total loans/total assets						
Number of observations	127		144	88		106
Average value	53.978		55.202	55.387		56.026
t-value		1.72[1]			0.95	
Loans to individuals/total loans						
Number of observations	190		8	121		73
Average value	36.417		26.993	35.309		30.784
t-value		8.78[2]			4.47[2]	
Commercial and industrial loans/total loans						
Number of observations	48		223	61		133
Average value	20.635		33.267	21.681		28.126
t-value		12.88[2]			6.24[2]	
Real estate loans/total loans						
Number of observations	152		119	98		96
Average value	36.711		32.480	38.009		37.749
t-value		3.25[2]			0.21	
1-4 family residential loans/total loans						
Number of observations	174		97	119		75
Average value	23.772		17.359	24.249		19.621
t-value		5.52[2]			4.24[2]	

[1]Indicates difference is statistically significant at the 10 percent level.
[2]Indicates difference is statistically significant at the 1 percent level.
Source: "Can Small Banks Compete?" The Bankers Magazine, January/February, 1981.

Table 3.—Deposit growth

Ratio	Smallest banks		Largest banks	Second smallest banks		Second largest banks
Total deposits 1979/total deposits 1974						
Number of observations	185		83	129		63
Average value	2.076		1.553	1.880		1.659
t-value		5.61[1]			4.35[1]	

[1]Indicates difference is statistically significant at the 1 percent level.
Source: "Can Small Banks Compete?" The Bankers Magazine, January/February, 1981.

The Rhoades/Savage article also analyzed four groups of ratios: income/expense ratios, loan ratios, a deposit/growth ratio, and risk/exposure ratios in 271 SMSAs. The authors' summary states: "While the data analyzed suggest some substantial difference between large and small banks, they do not provide any evidence supporting the hypothesis that small banks, as a group, are not viable competitors in banking markets.

"Overall the data in Table One suggests that, in SMSAs, small banks earn a higher return on assets, but a lower return on equity than larger banks. At the same time, small banks tend to have lower interest expenses, but higher non-interest expenses than larger banks. While certainly not conclusive, these data do not suggest that small banks are unable to survive in competition with larger banks.

"The results suggest that smaller banks in SMSAs do provide credit in equal or greater proportions, relative to their assets, than large banks. (See Table Two.) As expected, the small banks devote considerably higher proportions of their funds to loans to individuals and considerably lower proportions to commercial and industrial loans.

". . . it appears that small banks can experience relatively healthy growth even in an environment of larger banks. (See Table Three.)

"Inspection of Table Four reveals that the first two ratios on capital accounts exhibit anticipated results. Specifically, the smallest banks have a higher capital/asset ratio than

Table 4.—Risk exposure ratios

Ratio	Smallest banks		Largest banks	Second smallest banks		Second largest banks
Total capital/total assets						
Number of observations	244		27	153		41
Average value	9.701		7.042	8.639		7.316
t-value		12.71[1]			10.20[1]	
Subordinated notes and debentures/total capital						
Number of observations	51		220	61		133
Average value	1.517		7.311	2.887		7.219
t-value		12.21[1]			6.36[1]	
Loan losses/total loans						
Number of observations	136		135	118		76
Average value	0.873		0.467	0.609		0.412
t-value		4.41[1]			4.44[1]	
Net federal funds/total deposits						
Number of observations	12		259	22		172
Average value	-7.271		7.772	-5.284		1.849
t-value		21.12[1]			14.24[1]	
MMCs + time deposits > $100K/total deposits						
Number of observations	63		208	61		133
Average value	22.157		29.362	23.562		26.787
t-value		9.34[1]			4.08[1]	
Net federal funds + MMCs + time deposits > $100K/total deposits						
Number of observations	23		248	32		162
Average value	14.885		37.134	18.278		28.636
t-value		21.30[1]			11.89[1]	
Long-term bonds/total assets						
Number of observations	89		182	79		115
Average value	6.477		8.199	7.732		8.291
t-value		4.44[1]			1.50	

[1]Indicates difference is statistically significant at the 1 percent level.
Source: "Can Small Banks Compete?" The Bankers Magazine, January/February, 1981.

the largest banks in 244 of 271 SMSAs and they rely less on subordinated notes and debentures as a source of capital (51 versus 220 SMSAs). Furthermore, similar comparisons hold for the groups of second largest and second smallest and the differences in the average value of these ratios between groups are consistently statistically significant.

"Looking at the third ratio—the loan/loss ratio—small banks tend to have higher loan losses than large banks and these differences are statistically significant. For the smallest versus largest comparison, small banks have higher loan losses in 136 of 271 SMSAs and, for the second smallest versus second largest comparison, the smaller banks have higher losses in 118 of 194 SMSAs. This probably results from the small banks' emphasis on consumer and real estate loans.

"The extent of reliance on high-cost, short-term or volatile funds is reflected in ratios (4), (5), and (6). In all comparisons between largest and smallest, and second largest and second smallest, the large bank group is shown to rely more heavily on these funds than small banks. Furthermore, inspection of the average values of these ratios indicates that the ratios are generally substantially higher for the large banks and the differences are statistically significant.

"The final ratio, long-term bonds to total assets, indicates that larger banks rely more heavily than competing smaller banks on long-term bonds. Thus, the smallest banks have a higher ratio in only 89 of 271 SMSAs and the second smallest banks have a higher ratio in only 79 of 194 SMSAs. In addition, the average value of this long-term bond ratio is significantly lower statistically for the smaller groups of banks than for the larger groups."

How independent bankers compete today

Despite all the talk about the ultimate demise of small community banks, these institutions continue to display an enviable vitality nationwide. In a recent *American Banker* article, data on 110 banks of varying size compiled by Oleson Research Associates of Silver Spring, Maryland, showed small banks have fared much better than their larger counterparts in the past decade.

The Oleson sample of ten years ago indicated a return on equity of 9.5 percent, compared to 12.4 percent at intermediate-sized banks (between $100 million and $1 billion) and 13 percent at the biggest regional banks (those between $1 and $5 billion). The recent data show community banks have gone from worst to best. Their 1980 return on equity was 14.7 percent. The intermediates earned only 13.8 percent while the big boys made 13.6 percent.

The article states: "Last year, return on assets at the community banks amounted to 1.13%. That was 12 basis points higher than at the intermediates and 30 basis points above the big banks, whose return on assets actually fell over the course of the decade."

The study shows the small banks are *"low-cost lenders."* The article states that "Small banks are unusually efficient users of assets."

The ratio of earning assets to total assets at community banks is high and rising, a factor that contributes to improved return on assets. From 1976 to 1980, for example, that ratio rose from 88.36% to 89.64%. Small banks have been continuing to reduce the proportion of sterile cash assets and to increase the proportion of loans to total footings." The article explains that the small community banks decreased their reliance on purchased funds and financed more of their assets with core money.

This is an example of how the small community bank can adjust to new competitive pressures through enlightened management and careful financial planning which can lead to increasing the bank's assets and leveraging its financial resources.

The key to survival

Finally, all of the technology, management skills and financial management comes down to people—people who know their customers, know their market, or can find a way to do a job better than their competitors. Independent community bankers will never be able to arrange export financing or underwrite municipal bonds with the finesse of a Morgan Guaranty, nor will they be able to handle the mechanics of a trust administration as smoothly or economically as Manufacturers Hanover. What independent bankers do have, and the area that in most cases can be the most important strategic advantage, is a knowledge of the territory and its people which no big-city banker will ever have.

Thus independent bankers have a competitive edge in servicing their customers on a more personal basis and helping them make money. Who can argue that people prefer to do business with people who know them and understand their problems and opportunities? This works to the advantage of the local banker in two ways: first, by not making loans to borrowers who have above-average risks; but even more important, by taking "people risks" which a big banker would not be willing to undertake.

Beyond growth and competition, which have already been outlined, the small independent community banker will probably be using more technology and making more cooperative efforts to meet the growing demands of the banking marketplace. Technology, which a few years ago was priced beyond the reach of small banks, is now available with a far higher cost/benefit ratio.

"The Banker's-Bank concept started several years ago but has only recently flourished as a viable and broadly accepted vehicle for independent banks to deal with today's competitive pressures and the expected changes of the next decade."

Small banks are also joining with other banks in setting up cooperative ventures to utilize the most sophisticated equipment. Shared data processing, automated teller machine networks, investment advice, etc., are areas of obvious need. Groups of independent banks have formed Bankers'-Banks in Minnesota, Colorado, Wisconsin and Nebraska and numerous others have announced plans to form Bankers'-Banks, including the independent banks here in Florida. The Bankers'-Bank concept started several years ago but has only recently flourished as a viable and broadly accepted vehicle for independent banks to deal with today's competitive pressures and the expected changes of the next decade.

This, then, is the scenario of the 1980s: thousands of new "commercial bank" competitors and much more aggressive competition for customers; a possible consolidation of our traditional competitors (the holding companies, money-center banks and the "new" banks, the thrifts and credit unions).

This is not unexpected and the independent community banker is preparing for this increased competition. Those banks which aggressively manage their assets and liability portfolios, constantly keep their costs in check through appropriate interest-rate matchings, and work to be as profitable as possible, will be those which survive in the 1980s. This will mean a need for increasing competency in bank management, maintaining adequate capital accounts and keeping in constant contact with our market. However these problems are not unique to the small independent bank . . . all bankers, large and small, share them. The banker who is best able to meet the competition will continue to grow and prosper.

EVOLVING PRESSURES FOR INTERSTATE BANKING

Donald L. Koch

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More than most industries, the banking industry is defined by government regulation. Commercial banks and bank holding companies operate under an elaborate set of legal limits imposed both on their activities and on the geographic areas where they may carry on some of the most important of these activities. Many of these limits were set a half century ago or more and have since come into conflict with the technical and economic realities of the 1970s and 1980s. This conflict is clearly seen in recent debate on removing geographic restrictions on operation of bank offices that accept deposits and disburse loan funds—bank branches.

The geographic limits to bank expansion are embodied in two federal laws and many state laws. Each state has promulgated rules governing the expansion of banking organizations chartered by it. The rules cover branching and expansion by bank holding companies. They range from limits to single offices for single organizations to unlimited geographic expansion within the state. More recently, some states have proposed to add laws allowing their banks to expand into other states offering reciprocal arrangements; Maine has already passed such a law.

National banks and bank holding companies are limited by two laws called the McFadden Act and the Douglas Amendment. The former applies to expansion by branching. It was enacted in 1927 to clarify the branching powers of national banks and to provide parity between branching powers of state-chartered and national banks. Under the McFadden Act, each national bank is subject to the geographic limits to bank branching applied by the state in which it is headquartered. Since state laws have not allowed interstate branching, the McFadden Act has effectively limited banks from crossing state lines with offices that take deposits and disburse loan funds.

The Douglas Amendment to the Bank Holding Company Act applies the intrastate office rule to bank holding companies. It allows them, at most, to acquire banks only in the state in which they are headquartered. Like the McFadden Act, however, the Douglas Amendment subjects bank holding companies' in-state banking activities to state law.

Under these state and federal limits, the nation has retained a banking system with many separate units, almost 13,000, even if one counts multibank holding companies as single units. Most of these units are small, most have offices in only one county, and many operate only one office. Coexisting with these many small banks are a relatively few large organizations, represented in various ways on a national or regional basis but each confined to operating branch offices only within its headquarters state.

Joining the battle

In an era of rapid and extensive communication, mobile population, national business concerns, and increasing technical requirements for bank operation, the geographic restrictions that foster such a banking system seem less and less economically sensible to many. The limita-

tions have been cracked in various ways by banks and nonbank concerns and are subject to increasing economic pressures. Yet the battle to breach McFadden Act and Douglas Amendment geographic limits on branching and bank acquisitions by bank holding companies has only recently been seriously begun. As the debate goes on, various economic pressures are pushing the system toward interstate banking, whether by banks or nonbank institutions. However, evolution toward interstate banking brings up issues of size and concentration that are likely to loom large in the ultimate legislative decisions about the existence and form of the interstate expansion of bank offices.

Pressures moving the financial system toward interstate banking arise from several sources and may be seen in several forms. Perhaps their most obvious manifestation may be seen in the already extensive performance of some banking functions by interstate organizations. This not only shows that such functions can be performed profitably by interstate organizations, but it also increases the desire of the larger organizations to add complementary services to their interstate network and induces calls for parity from banking organizations faced with competition from nonbanking organizations performing banking functions out of interstate networks of offices.

Interstate performance of banking functions covers a substantial range of bank lending and deposit activities. Banking organizations, by various means, are quite active in this network. Large money-center and regional banks have established loan production offices and representative offices in many parts of the country. The network is particularly elaborate in Florida, where international business plus high growth have proven quite attractive.

Additional interstate banking operations are carried on by nonbank subsidiaries of bank holding companies. These organizations are concentrated in the finance company, mortgage company, and leasing business. They give many banking organizations a presence in many parts of the country.

Interstate banking limitations, however, limit the functions of these banking organizations in strategic ways. They would like to compete for the stable deposits of individuals and smaller businesses, but without offices that can accept deposits they find that very difficult. In turn, this disability has limited their ability to establish total banking relationships with these customers, adding to the difficulty of getting their loan business.

". . . evolution toward interstate banking brings up issues of size and concentration that are likely to loom large in the ultimate legislative decisions about the existence and form of the interstate expansion of bank offices."

More pressures

Recently, further pressures on geographic restrictions have come from the removal of some restrictions on interstate deposit-taking activities. Edge Act corporations—bank subsidiaries that may receive foreign deposits and finance foreign trade—have been allowed to form nationwide units with branches in any state. Several of the nation's larger banks have formed such interstate systems or have announced plans to do so.

Nonbank institutions are not limited in the same way as banks, and a few have begun to engage in activities that resemble full-service interstate banking. The nonbanks may not offer insured deposits; however, on an uninsured basis, they may offer transactions accounts and the equivalent of time deposits and other investments. In addition, they can offer attractive peripheral services.

The most obvious of these interstate nonbanks are Merrill Lynch and Sears. Through its cash management accounts, Merrill Lynch competes with commercial banks for large personal deposits and provides overdraft privileges (loans) and credit cards. Sears also provides credit cards and insurance through a national network and has publicly discussed plans for offering the uninsured equivalent of bank certificates of deposit. These large organizations rely on extensive national networks of offices and customers for their services. Their functions are very similar to those of commercial banks, but the geographic limits applicable to banks do not apply. While these nonbank organizations are now the

"The recent granting to thrift institutions and credit unions of new powers to offer consumer financial services is likely to set off a movement to substantial consolidation of financial institutions because the granting of the new powers will increase the number of full-service consumer financial institutions considerably."

major additional suppliers of interstate bank services, one need not tax one's imagination to see other firms offering variations on banking to customers all over the country.

Interstate operation of nonbank institutions performing banking functions further demonstrates the feasibility of such activities. It also brings up serious issues of parity. In recent years, bankers have called long and loudly for a "level playing field" in their competition with other financial institutions. Having made great strides toward parity of rules for depository intermediaries in the Omnibus Banking Bill in 1980, bankers are now faced with a set of nonbank institutions playing by different rules and playing with interstate systems. Further cries for parity have already come from bankers, particularly from those who foresee additional erosion of banks' markets by nonbank organizations.

A cry for parity

Additional parity issues may arise from the savings and loan industry. The Federal Home Loan Bank Board has spoken favorably of an experiment with interstate branching of savings and loan associations in the Washington, D. C., area. Calling this area—including the District of Columbia and parts of Maryland and Virginia—a natural market, the board proposed to allow their members in the area to branch over the entire area. Their plan received a setback when the new chairman of the Senate Banking Committee expressed objections to it; however, it demonstrates another potential inroad of bank competitors into interstate operation and reinforces the cry for parity from bankers.

These developments bring pressure for interstate banking because they show its feasibility, profitability and customer acceptance. They show the strategic limitations built into the prohibition of deposit-taking existing in present laws. They demonstrate that if commercial banks do not operate interstate networks, other innovative nonbank institutions will. In doing so, they may erode banks' business and possibly threaten their safety.

Other possible threats to bank safety, or to earnings at least, also are working toward interstate banking. In the early 1970s, when quite a few larger banks were having financial problems, the banking authorities realized that they would have great difficulties indeed merging some of these troubled institutions into stronger banks in their own states. There were just not enough strong, large merger partners in some states. This realization led to proposals for interstate mergers involving large banks under emergency conditions. The proposals have not been passed and have received less attention as the financial condition of large banks has improved. The fear of having to liquidate large organizations for lack of merger partners still haunts bank regulators, however, and the emergency interstate banking law would be more seriously considered if another credit crunch should occur.

Other pressures for consolidation of banking units also move the financial system toward interstate banking. The recent granting to thrift institutions and credit unions of new powers to offer consumer financial services is likely to set off a movement to substantial consolidation of financial institutions because the granting of the new powers will increase the number of full-service consumer financial institutions considerably. As the consolidation occurs, restriction on interstate banking will limit merger partners for banks to institutions that are more likely to be their competitors—banks with branches nearby or bank holding companies operating in their state. Anticompetitive effects might be avoided if out-of-state banks were allowed to cross state lines to merge. Realization of this possibility, combined with legislators' concern for preserving bank competition, argues for interstate mergers and acquisitions of existing banks.

Despite the demonstrable feasibility, profitability, and customer acceptance of interstate banking, the indications that nonbank institutions will do the job if banks do not, and the competitive elements of banking across state

lines, the nation has not rushed to remove geographic restrictions.

Geographic limitations exist in part because of concerns about bigness and competition in banking. The prospect of interstate banking magnifies these concerns among some members of the public, legislators, and commercial bankers. At its most grotesque, the result of interstate banking is seen as a rapid evolution of the nation's banking structure toward one with a few large nationwide commercial banks, similar to banking in Canada or England.

Even if these large banks—probably based in New York, Chicago, and San Francisco—competed with each other in most local markets in the nation, there is fear that they would be able to fix prices at noncompetitive levels to move deposits from the rest of the country into the large money centers and to use their power to gain favorable rules from state and national legislatures and regulators. These fears are based, at least implicitly, on advantages that large banking organizations seem to enjoy. Their present nationwide and international organizations, the breadth of their services, their ability to innovate and adapt others' innovations, and their ready access to capital and money markets are among these perceived advantages. With these advantages large organizations might, over time, serve a large part of the banking public more efficiently than smaller ones and bring on consolidation of the banking system.

Fears of dominance by large money-center banks have led to evolutionary proposals for interstate banking from both the Carter White House and the Association of Bank Holding Companies. The White House staff study, mandated by the International Banking Act of 1978 and submitted to Congress on December 31, 1980, recommended the eventual elimination of both the McFadden Act and the Douglas Amendment.

Its recommendations sought to approach that elimination slowly and by stages, however. At first, interstate branching would be prohibited while interstate bank holding company acquisitions in natural markets (possibly Standard Metropolitan Statistical Areas) would be allowed. Extensions of bank holding companies within specified multistate regions and then nationwide would follow. No timetable for these changes was proposed. The Association of Bank Holding Companies' proposal follows a similar path, beginning with regional bank holding company expansion.

Evolutionary approach

These proposals aim to provide the benefits implied by the economic pressures for interstate banking while protecting against the dominance of large money-center banks feared by some elements of Congress, the public, and bankers alike. The evolutionary approach would allow bank holding companies now confined to holding bank offices in one state to expand throughout their region. For example, Florida banking organizations might expand throughout the old Confederacy. In this way, some regional organizations might achieve the size necessary to compete effectively with the large money-center banks. Having achieved this critical mass, it is assumed that the regional organizations would then be turned loose to establish nationwide organizations in competition with the large money-center banks. By following the evolutionary proposals, proponents argue the nation would be served by more large organizations and the specter of dominance by a few super banks is put to rest.

Whatever the approach, however, these proposals assume that interstate banking is called for in the economic and technical environment of our society and that it may well come through innovative action by nonbanks, even if banking laws are not amended. Continued development of bank and nonbank interstate networks will put strong pressures on Congress to ease branching restrictions both because it will show that markets and methods for interstate banking exist and because it will demonstrate the validity of bankers' demands for parity.

"Despite the demonstrable feasibility, profitability and customer acceptance of interstate banking . . . the nation has not rushed to remove geographic restrictions."

"While most of the world's citizens still never venture more than a few miles from the place they were born, almost no life remains untouched by global forces. Culturally, politically and, most of all, economically, the world's citizens are all linked."

GLOBAL BUSINESS BRINGS GLOBAL BANKING TO FLORIDA

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A few years ago, architect/philosopher/futurist Buckminster Fuller began speaking and writing about what he called the "global village." The expression became a new catchphrase for the planet earth; Fuller's point was that the world today is not any bigger than the tribal village of thousands of years ago.

Faster-than-sound commercial aircraft, satellite communications, international commerce—and international warfare—have combined to make the globe remarkably small indeed.

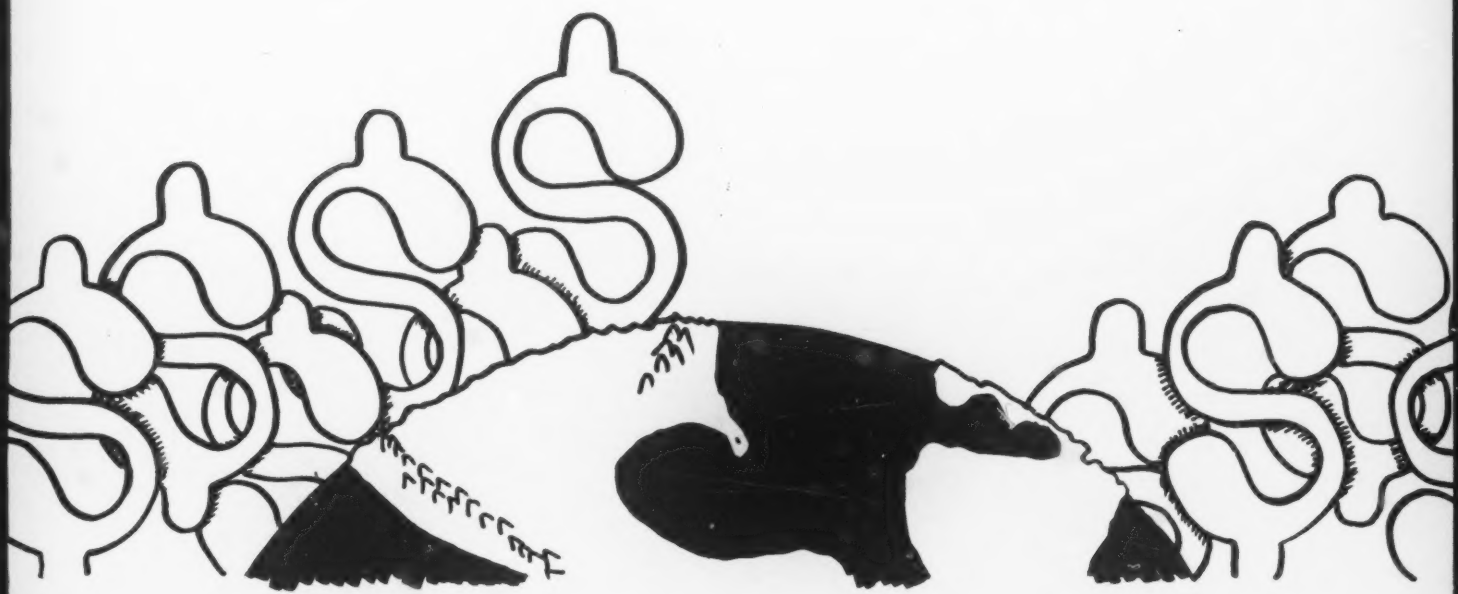
A factory worker in Milwaukee drives an automobile made halfway around the world in Japan instead of one from nearby Detroit. A housewife in New York buys oranges from Israel, while apples grown a few miles from her home are shipped for consumption in South America. Open any middle-class American closet, and you'll probably find a potpourri of garments made in California, France, Italy and Hong Kong.

While most of the world's citizens still never venture more than a few miles from the place they were born, almost no life remains untouched by global forces. Culturally, politically and, most of all, economically, the world's citizens are all linked.

As it evolved, the ancient tribal village developed centers of economic activity—places, perhaps, where men would gather to trade food for tools. Today's global village has similar economic centers, focal points for commerce on a world scale. In addition to food and tools, however, today's trade has broadened to encompass currencies, real estate, securities, oil wells and dozens of other financial 'products' of the twentieth century.

Florida—and particularly Miami—has become such an economic center of the global village. Through our state nearly $17 billion worth of international trade flowed last year alone. More cruise passengers embark from south Florida ports than from anywhere else in the world, and more international cargo passes through Miami International Airport than through all but one other U.S. airport.

Unlike many other U.S. trade centers, Florida is clearly oriented outward, with a healthy surplus of exports over imports. For 1980, goods exported through Florida air and sea ports totalled $10.3 billion, reflecting a growing recognition on the part of Florida businessmen that there are, in the words of the state's chief of trade and international development, great profits to be made in the exporting business.



Foreign imports into Florida last year totalled $6.5 billion, giving the state a $3.8 billion positive balance of trade—contrasting with a $32.3 billion trade deficit for the nation as a whole.

According to a recent article in the *Miami Business Journal*, Venezuela is Florida's top trading partner, and the Miami/Caracas trade connection is "staggering" in both volume and diversity. During 1980, some $1.7 billion worth of goods were shipped from Miami to Venezuela and ranged from chicken and eggs to potato chips, penicillin, air conditioners, color televisions, tires and fountain pens. Not surprisingly, the Miami area now has 300 freight forwarders, second only to New York, and most are bilingual.

Florida's and Miami's role as an economic center of the global village results in part from a fortuitous combination of geography, culture, language and timing. That our business leaders have been able to take advantage of the combination reflects less any sophisticated business thinking than simple, good common sense.

Location and climate have played the most important role in our economic growth. Miami is located just 1,200 miles from Caracas, 4,500 miles from Buenos Aires and 1,100 miles from Panama. Our climate, both physically and culturally, is familiar to most Latin Americans, who, as a result, are more comfortable doing business here than they would be in Chicago, Washington or even Atlanta.

The influx of a large Cuban population over the past two decades has further strengthened our ties with Latin America by adding a sizable bilingual labor base.

A reliable and effective transportation system features 14 deep-water ports, 350 airports—15 of which have scheduled airline service—5 major railroads, interstate highways, intracoastal waterways and a network of state highways and roads. No other state is so strategically located to serve the Caribbean and Latin America. Access to transportation systems and rapid connections continue to expand Florida's growing business relationships with many foreign countries.

"Regardless of cyclical changes in the national economy or in various individual segments, the basic structural elements of a healthy economic system are present in the state."

"It is difficult to tell whether the growth in international banking has been a cause or effect of the boom in foreign trade. But it is certain that neither could have taken place—at least not to the current degree—without the other."

A streamlined system

Miami, Ft. Lauderdale, Tampa and Jacksonville have complete domestic and international airline and shipping services. A system of fifty first-class harbors, as well as numerous marinas and other docking facilities, provides significant advantages to companies concerned with doing business in the burgeoning markets of Central and South America, as well as the Caribbean. Ready transportation, including one of the best airline distribution networks, also gives Florida a streamlined system for quick and convenient access to other markets throughout the world. Unusual opportunities for world commerce truly abound in Florida's communication and transportation networks.

The combined effect of these elements is the sound infrastructure necessary to continuing growth. Regardless of cyclical changes in the national economy or in various individual segments, the basic structural elements of a healthy economic system are present in the state.

The exceptional growth in foreign trade and commerce has happened simultaneously with the maturing of Miami as a center of international finance. In just over a decade, twenty-two Edge Act banks—international branches of American banks, mainly—have established offices in Miami, and another six are expected to open soon.

"Unlike domestic banks, however, Edge Act banks may not accept local deposits or make loans for domestic business. They can and do take substantial deposits of 'flight money' from Latin Americans seeking a U.S. base for some of their funds."

In 1978, Florida law changed to permit foreign banking institutions to operate in the state, and since then sixteen have opened offices in Miami. Six more have either been approved by the regulatory authorities or have filed for approval. At the same time, domestic banks have also greatly increased the level of their international business activity.

It is difficult to tell whether the growth in international banking has been a cause or effect of the boom in foreign trade. But it is certain that neither could have taken place—at least not to the current degree—without the other.

Foreign trade puts special demands on the financial service infrastructure, and the Edge Act banks, foreign offices and local banks all have been able to benefit from their customers' increased need for support.

Sharpened competition

The Edge Act banks are limited to international business, including the financing of exports by domestic businesses. In this, they compete head-on with local banks. Unlike domestic banks, however, Edge Act banks may not accept local deposits or make loans for domestic business. They can, and do, take substantial deposits of "flight money" from Latin Americans seeking a U.S. base for some of their funds.

And, inevitably, the Edge Act banks serve the purpose of positioning their parent institutions in Florida in anticipation of domestic interstate banking.

The Florida activities of foreign banks—whether they be foreigners from South America or New York—have sharpened the competitive instincts of local bankers. This, in turn, helps stimulate the business of international trade itself, as bankers of all types become increasingly anxious to participate in what is perceived as the strongest element in Florida's economy today.

Global competition is now as much a reality to Florida banking as the concept of the global village itself. Most bankers agree that this is a positive force because, while many more institutions are trying to attract international business, the broadened base of financial service helps to expand the level of international trade activity itself.

HIGH MORTGAGE RATES FOSTER CREATIVE FINANCING

Ron Dodson

Assistant in Research
Bureau of Economic and Business Research
University of Florida

One change in the financial environment which will directly affect the way Americans live is the decreasing availability of the fixed-rate mortgage.

The long-lived American institution of the mortgage financed at a single rate over a specified number of years has survived wars, recessions and other social and economic upheavals since it became generally available. The home purchaser arranged for a fixed-term mortgage of twenty, twenty-five or thirty years and a set rate of interest. During the fifties and sixties, the rates varied no more than four to five percentage points, the low being in the 5 percent range and the high in the late sixties being in the 7 or 8 percent range depending on geographic location. A home buyer could depend on the rate of a mortgage never changing in its lifetime.

Beginning in the early seventies with such events as the Arab oil embargo, world socioeconomic conditions began to change rapidly. Double-digit inflation became more and more a household word. Suddenly in the late seventies mortgage rates began to jump to previously unheard of levels above 10 percent. During the second quarter of 1980 mortgage rates reached then-record levels of 13 and 14 percent, leaping again in late 1980 to 15 and 16 percent and virtually shutting off building construction in some parts of the country.

These radical and rapid changes in the basic structure of home-mortgage lending were brought about by several factors. As mentioned earlier, the OPEC oil cartel forced worldwide oil prices to record levels at ever-increasing rates. These price increases precipitated escalating rates of inflation worldwide, especially in the United States with its heavy dependence on imported oil. These factors, along with ever-increasing federal spending, drove inflation rates to record levels. It has been said that the double-digit inflation rates have become institutionalized. In other words, the American public has become accustomed to inflation of 10 percent or more. The cost of money, along with everything else, began to rise astronomically.

The Federal Reserve Board of the late 1970s and early 1980 decided to combat inflation by increasing the rate at which member banks borrow from the Federal Reserve System. Members include, of course, those commercial banks in the mortgage lending market as well as the savings and loan associations of the country which provide most of the mortgage money for homebuying and homebuilding.

S&L cost squeeze

During the recession of the spring and summer of 1980, many savings and loans found themselves in a peculiar position. With interest rates escalating to alltime high levels, the cost of their funds also rose rapidly. At the same time, depositors moved their money from low-yielding 5 percent accounts to high-yielding money-market and other certificates. The public also moved some money entirely out of the savings and loans and into other forms of government paper such as treasury bonds and treasury notes. Meanwhile, the

Table 1.—Percent of families qualifying and income needed to buy $75,000 home at various mortgage rates

Interest rate	Monthly payment[1]	Annual income needed[2]	Percent of families who qualify
9%	$ 698	$33,504	20.6
11%	787	37,776	16.1
13%	879	42,192	11.8
15%	926	46,704	6.7
18%	1,022	53,712	3.2

[1]Includes $215 for insurance, taxes and utilities.
[2]Assumes that one-fourth of income goes toward total housing payment.
Source: National Association of Home Builders.

savings and loans still held many low-paying fixed mortgages at levels ranging from 6 to 10 percent. This cost squeeze resulted in a great shortage of funds for both construction and mortgage lending in many parts of the country. The savings and loans which did have money to lend had to charge rates which put many average would-be homeowners out of the market.

Even raising the allowed percentages of income which the would-be homebuyers could spend on mortgage payments, many still would not qualify. (See Table 1.)

To deal with the stifling effect of high mortgage rates on the housing industry, home sellers, with the encouragement and help of real estate agents, began a new wave of "creative financing." Second mortgages and more innovative methods such as the "wraparound" mortgage have become commonplace.

Savings and loan institutions have also developed a host of creative financing techniques. The methods vary with state laws and S&L policies in each area of the country, but some of the most common were summarized as follows in *Fortune* magazine of December 29, 1980:

Variable Rate—The interest rate on the mortgage loan can be adjusted every six months according to the rise or fall in the cost of funds borrowed by the S&L. The rise can be no more than half a percentage point during any one year and no more than two and one-half points over the life of the mortgage.

Renegotiable Rate—The interest rate may be adjusted once every three, four or five years according to an agreement made at the time of the loan. The rate may rise only half a percentage point in any one year, but may increase up to five percentage points over the life of the loan.

Graduated Payment—The interest rate is fixed but the monthly payments start small and increase over time at a rate negotiated by buyer and lender. Payments cannot rise more than seven and one-half percentage points a year for the first five years or more than three points a year over a decade.

Graduated Payment/Adjustable—The interest rate could be increased every three to five years for as long as a decade with the maximum increase in payments limited to 15 percent in any one year.

Shared-Appreciation—In return for a below-market interest rate and low monthly payments for ten years, the owner must pay the lender part of any profit when the house is sold.

The rates and payments on a $100,000 house with an $80,000 loan are shown for each of these new types of mortgage in Table 2.

In these times of ever-increasing inflationary pressures on retired homeowners, another financing device has emerged: the reverse annuity mortgage. Homeowners having a large equity in their homes may opt for this arrangement which gives the homeowner a loan in the form of monthly installments. Interest is paid only on the money borrowed to date and the principal is repaid when the home is sold. Although the Federal Home Loan Bank Board authorized reverse annuity mortgages in December, 1978, only a few institutions have taken advantage of them. Their marketability has decreased somewhat in the present climate of high interest rates, and some S&Ls have discontinued them. The reverse mortgages are new and unfamiliar to both mortgagor and mortgagee, but as familiarity and standardized forms become more widespread, with the expectations and duties of lender and borrower clearly outlined, the approach is expected to be used more widely.

Summary

Our nation of families owning their own

homesteads with long-term, fixed-rate mortgages is on the threshold of a vast change.

After World War II, the federal government encouraged individual home ownership through a host of subsidized and guaranteed financing plans. Jay Janis, president-elect of the California Federal Savings and Loan Association, has stated that the American home "became the backbone of good family life and helped create a viable, educated voting middle class." Homeowners indeed found that their home was their best investment. As prices appreciated, the home became a speculative tool as well as an investment; homeowners were ever more willing to place larger proportions of their income into financing a seemingly perpetual inflation-beater. Reports of homes increasing 50 percent to 100 percent in value in some areas of California in 1980 were not uncommon.

The housing boom of the seventies and eighties has been termed an "orgy" which is soon to be brought to a screeching halt by ever-increasing and critically disrupting interest rates.

The "true cost" of housing is suddenly making an impact on politicians, economists and political analysts. Many analysts believe that this nation's decline in absolute productivity has been a result of an excessive investment in housing, which has been "subsidized" at the expense of savings and industrial capital investment. More capital flows into housing than any other single sector of the economy, including business or state or local government. The savings and loan institutions are the nation's largest and primary source of housing funds. Therefore, as the S&Ls readjust their loan portfolios to make them profitable and to tie them to present market positions, loan rates will inevitably reach higher absolute levels. This adjustment upward in the overall "real cost" of housing coupled with the realignment of political thinking about housing finance and resulting reduction in government subsidies could result in critical changes in housing patterns during the next two decades.

"The housing boom of the seventies and eighties has been termed an 'orgy' which is soon to be brought to a screeching halt by ever-increasing and critically disrupting interest rates."

For continued growth and health of the middle-class housing market so important to Florida's economy, truly innovative financing methods will be needed to meet the demands of future housing markets.

Table 2.—Various types of home mortgages

Type of mortgage ($100,000 house, $80,000 loan)	Monthly payments-- average interest rate				Homeowner's equity (including unrealized appreciation)[1]			
	1-3 years	4-5 years	6-10 years	11-30 years	After 5 years	After 10 years	After 20 years	After 30 years
Fixed rate	$948	$948	$948	$948	$82,305	$183,147	$198,324	$259,374
Percent	14.0	14.0	14.0	14.0				
Variable rate[2]	$979	$1,058	$1,044	$957	$82,062	$182,442	$197,743	$259,374
Percent	14.5	15.74	15.5	14.0				
Renegotiable rate[2]	$948	$1,041	$1,048	$960	$82,153	$182,456	$197,687	$259,374
Percent	14.0	15.5	15.6	14.1				
Graduated payment	$795	$951	$1,060	$1,060	$73,034	$174,171	$191,135	$259,374
Percent	14.0	14.0	14.0	14.0				
Graduated payment (adjustable)	$795	$1,018	$1,180	$1,090	$72,048	$172,100	$189,820	$259,374
Percent	14.0	15.5	15.6	14.1				
Shared appreciation[2,3]	$673	$673	$673	$1,485	$63,708	$134,083	$139,992	$163,762
Percent	9.5	9.5	9.5	14.0				

[1]Assumes 10 percent annual increase in housing prices for ten years with no increase thereafter.

[2]Assumes market rate of interest rises 0.5 percent points a year for five years, then declines 0.5 points a year for next five years, and that rates remain level for ensuing 20 years.

[3]Assumes owner refinances remaining balance of original loan plus the bank's share of appreciation after 10 years.

Source: "Architects of Exotic Mortgages," by Linda Snyder Hayes, Fortune, December 29, 1980, p. 66.

Sources of information

FLORIDA POPULATION: A SUMMARY OF 1980 CENSUS RESULTS

Population Program
Bureau of Economic and Business Research
221 Matherly Hall
University of Florida
Gainesville, Florida 32611

The report of 1980 Census figures for Florida population by cities and counties was published in May, 1981, and may now be ordered with the form below.
The 48-page report is in the same format as the Population Program's annual *Florida Estimates of Population* published in noncensus years. The cost will be $9.00 per copy.
Contents of the 1980 Census Summary for Florida are as follows:

Rank in Population on April 1, 1960, April 1, 1970, and April 1, 1980, and Percentage Change from 1960 to 1970 and 1970 to 1980 for Specified Cities in Florida

Rank of Counties by Population Size, April 1, 1980, and Population Distribution, April 1, 1960, April 1, 1970, and April 1, 1980, by County in Florida

Population per Square Mile and Rank According to Density in the State and Counties of Florida on April 1, 1960, April 1, 1970, and April 1, 1980

Preliminary race and Spanish-origin Distributions of the Population of Florida by Counties

Total Population by Regions and States in the United States

Population and Housing Units by County and Municipality in Florida: April 1, 1980

Components of Population Change in the State and Counties of Florida: April 1, 1970 to April 1, 1980

Resident Live Births and Resident Deaths by Race, by County, in Florida: April 1, 1970 to April 1, 1980

Population Change by County in Florida, Specified Years 1940 through 1980

Population Change by Standard Metropolitan Statistical Area in Florida, Specified Years 1940 through 1980

Population Change by Planning Districts in Florida, Specified Years 1940 through 1980

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University of Florida
221 Matherly Hall
Gainesville, Florida 32611

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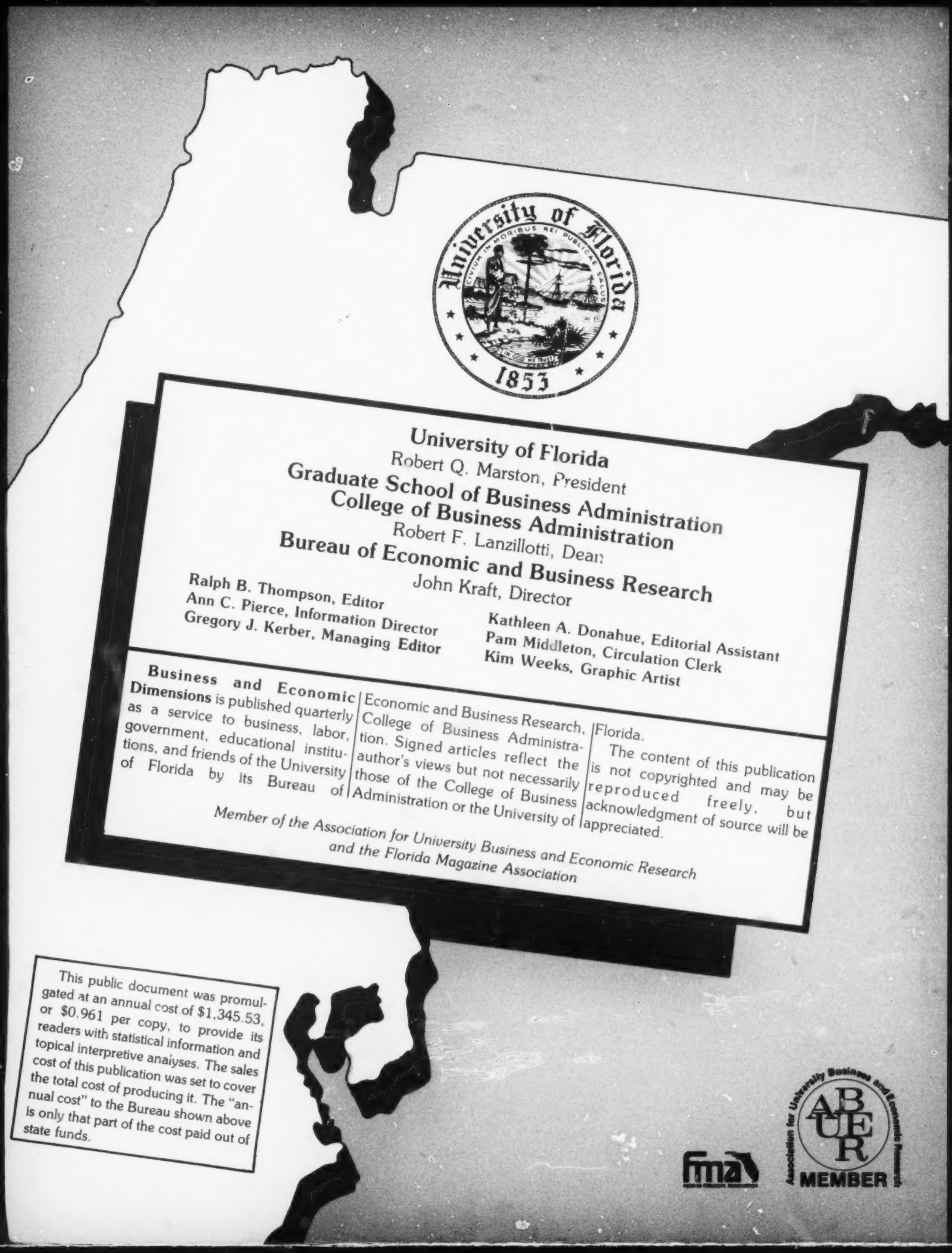

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Introgram

The first issue of *Business and Economic Dimensions* appeared in April, 1965, with Ralph B. Thompson as Editor. Ralph's editorship ends with this issue. He is retiring from the University of Florida after twenty-six years of service as Professor of Marketing and seventeen years as Editor in the Bureau of Economic and Business Research.

Ralph, as the only editor *Dimensions* has ever had, has guided the magazine through its early growing pains and through numerous changes in content and format, as the magazine has sought to keep up with the changing needs of the business community of Florida.

In addition to serving as Editor of *Dimensions* and continuing to teach for the Department of Marketing, Ralph became the Editor of the *Florida Statistical Abstract* in 1973 and will soon send his ninth *Abstract* to the printer.

Ralph has also been the Editor of *Economic Leaflets* and has written articles for almost every publication that the Bureau produces. In addition to his regular duties, he has willingly spent much time with other Bureau staff members and graduate students helping them with various projects and serving as model, teacher, and friend.

As he enters a new phase of his life, we know that he will bring to that experience the same enthusiasm and good spirit that he has always shown for his work in the Bureau and in the classroom.

Ralph's editorial duties with *Dimensions* and *Leaflets* will be assumed by Ann C. Pierce, who will continue as Information Director and also will become Program Director for Publications. This issue of *Dimensions* has a new managing editor, Charles Morrison. Greg Kerber left the Bureau after four years of service to attend graduate school in Oregon. Both Ann and Charles are assisted by Kathy Donahue, editorial assistant, who joined the Bureau in January.

—John Kraft, Director

Ralph B. Thompson
Editor and Professor

John Kraft, Director, Bureau of Economic and Business Research

Frances W. Terhune, Assistant Director for Administration and Assistant Research Scholar

Sources of Florida Information

Ralph B. Thompson

Editor
Dimensions

This issue of *Dimensions* is an attempt to expand and update the "Sources of Information" issue published in the summer of 1978. The need for current and often very specific information has increased during the past three years. Fortunately, many government and private agencies have expanded their information programs to meet this need. On the other hand, many agencies are faced with tight budgets, and publications and reports are often the first items to be cut. Bridging this gap between the user and the data continues to be one of the central functions of the Bureau of Economic and Business Research (BEBR) at the University of Florida—by answering numerous phone and mail requests for information and by maintaining an active publication schedule.

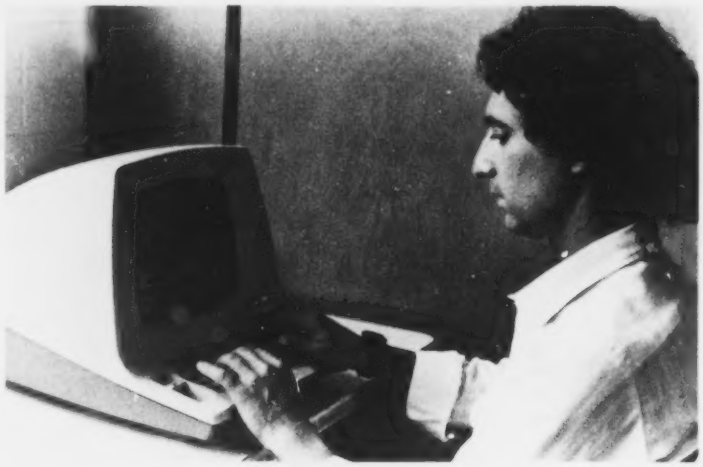
In several areas the BEBR is the source of the information. The official population estimates for the state, municipalities, and counties of Florida are generated at the BEBR; economic forecasts for the state and subareas of the state have been developed using an econometric forecasting model; a program for collecting and disseminating building permit activity data has been under way since the 1950s.

The BEBR has also recognized the need to collect, organize and disseminate data collected from other sources. Many federal and state agencies issue some kind of report, usually printed, but sometimes only in computer printout form, issued monthly, quarterly, or annually or even every five years. In an effort to collect these data in one convenient source, the BEBR began in 1967 to publish the *Florida Statistical Abstract*, which is a compendium of economic, social, and demographic information about the state,

counties, Standard Metropolitan Statistical Areas (SMSAs), and cities of Florida. The *Abstract* presents as much statistical information as possible in tabular form, but it is also a guide book to the sources from which the statistics have been taken. In almost every instance, more detail exists in the source than can be included in the *Abstract*, and sometimes the issuing agency has additional data or perhaps more recent information by the time *Abstract* reaches the user.

All but seven states have statistical abstracts which vary as to amount and nature of the information included, frequency of issue and issuing agency. In fourteen other states, as in Florida, a university is the publisher. The *Florida Statistical Abstract* includes the following sections of data:

Population
Housing
Vital statistics and health
Education
Income and wealth
Labor force, employment, and earnings
Social insurance and welfare
Geography and climate
Agriculture
Forestry, fisheries, and minerals
Construction
Manufacturing
Transportation
Communications
Power and energy
Wholesale and retail trade
Finance, insurance, and real estate
Personal and business services
Tourism and recreation
Health, education, and cultural services
Government and elections
Courts and law enforcement
Government finance and employment
Economic indicators and prices
Quality of life.



Henry H. Fishkind, Associate Director and Forecasting Program Director

The *Florida Statistical Abstract* is patterned after the *Statistical Abstract of the United States*, issued annually (usually in December) by the Bureau of the Census. The U.S. *Abstract*, which can be purchased from the Government Printing Office, contains the same general sections as the Florida *Abstract*. It is a compendium of national, regional, and state data and can provide the same service as a guide book to the original sources.

In the pages that follow this introduction, the more basic sources of information about the economy and demography of Florida have been summarized. The listing is by no means complete but should serve as a beginning for the user of these data. Some of what appears here also appears in the 1978 discussion, but much new information has been added.

(From left) Steve C. Sheffield, Neil Sipe and Pamela Schenker. Assistants in Research for the Forecasting Program, with Henry H. Fishkind

J. Evan Eldridge, Computing Laboratory Manager (right), confers with Leo M. Wierzbowski, Jr Assistant in Computer Science

Where does the user find the sources described on these pages? Most of them are as close as the telephone or the nearest library. Listed at various places on these pages are addresses and phone numbers which may be helpful. The staff of the BEBR is available to answer questions whenever assistance is needed.

Most of the state publications referred to in this issue of *Dimensions* are available free of charge from the agency which issues the report. Supplies are frequently limited and sometimes requests cannot be honored unless they come from other state agencies. The state has a system of state depository libraries, coordinated by the Division of Library Services, Florida Department of State, R.A. Gray Building, Tallahassee 32304. A list of state depository libraries appears at the back of this issue. All state agency publications are supposed to be on file in depository libraries or available for interlibrary loan. The reference departments of most libraries are willing to answer questions about data in these publications if the requests are not too time-consuming. The Florida Division of State Libary Services issues a monthly and annual summary of state agency publications entitled *Florida Public Documents*.

If it is necessary to contact a state agency directly, the address and phone number are listed in the *Directory of Florida Government*, prepared annually by the Elections Division, Florida Department of State. Phone numbers and names of state agency personnel are published by the Division of Communications, Florida Department of General Services, in the *State of Florida Telephone Directory*. Some of the most commonly needed addresses are listed at the back of this issue.

Many private organizations, such as the various insurance institutes, provide their publications without cost upon request. Others, such as the U.S. Travel Data Center, have a price schedule for regular publications and can be contacted with special requests for data. The best place to get the address of a private organization is from a library or a state agency which handles similar information.

Some federal sources

Some federal reports are available without charge from the agency which issues the information, but most federal publications must be purchased from the Superintendent of Documents, U.S. Government Printing Office (GPO) in Washington, D.C., or from a local Government Printing Office bookstore. Addresses and phone numbers are given at the back of this issue. Publications purchased from the GPO must be paid in advance. A deposit account may be established in Washington if very many publications are going to be ordered. The Washington account can also be used at local bookstores. If only isolated orders are anticipated, price information can be obtained from local libraries which have the publication or by calling GPO in

Washington or one of the local bookstores. If a deposit account has been established, phone orders will be accepted.

The GPO issues various announcements about publications. The most helpful is probably the monthly announcement *Selected U.S. Government Publications*, which describes and gives ordering information for the most useful of the series. Requests to be put on the mailing list can be sent to the GPO address in Washington.

The federal government also maintains a system of depository libraries in all fifty states. the depository libraries in Florida are listed at the conclusion of this issue. The University of Florida is designated as a regional depository library and is required to receive and retain one copy of all depository government publications made available to depository libraries either in printed or microfacsimile form. The other libraries in Florida are allowed to select the classes of publications best suited to the interests of their particular clientele. Most libraries are likely to be interested in input from users in their local areas about the government publications they should order.

How to contact agencies

A good handbook to use when trying to contact a federal government agency directly is the *Government Manual*, prepared annually by the General Services Administration and available from the GPO.

There are other directories published by federal agencies in an attempt to communicate the availability of government publications. Each year, the U.S. Statistical Policy Division of the U.S. Office of Management and Budget issues a *Federal Statistical Directory*. The same agency publishes *Statistical Reporter*, a monthly periodical designed for the interchange of information among those engaged in statistical and research activities. The Bureau of Labor Statistics issues free monthly and annual lists of its publications called simply *Publications of the Bureau of Labor Statistics*.

Anyone who works with federal sources on information discovers very soon that the Bureau of the Census is probably the major source of information and publications. The bureau has recently initiated a new series of brochures "geared for the general reader as well as the potential user of Census Bureau data," which are very helpful in sorting through the labyrinth of census publications. Seventeen brochures in this *Factfinder* series are scheduled:

- Minority statistics
- Availability of census records about individuals
- Agricultural statistics
- History and organization
- Reference sources
- Housing statistics
- Population statistics
- Geographic tools
- Construction statistics
- Retail trade statistics
- Wholesale trade statistics
- Statistics on service industries
- Transportation statistics
- Foreign trade statistics
- Statistics on manufacture
- Statistics on mineral industries
- Statistics on governments.

An order form can be obtained by writing to Subscriber Services Section (Publications), Bureau of the Census, Washington, D.C. 20233. Another helpful listing is *Telephone Contacts for Data Users: Bureau of the Census*. It is updated about twice a year and lists

Julie Wen-Fu P. Shih, Survey Program Director

very specific areas with names of agency personel and phone numbers. This telephone listing can be obtained free of charge from the User Training Branch, Data User Services Division, Bureau of the Census, Washington, D.C. 20233.

Four other source guides from the Bureau of the Census may be helpful. *Data User News* attempts to keep users of census statistics apprised of recent bureau releases as well as publications and information released by other agencies. The *Commerce Publications Update* is a biweekly listing of the latest titles from the Bureau of the Census and all other Commerce divisions. It is available by subscription from the Superintendent of Documents, Government Printing Office. The 1976 *Directory of Federal Statistics for Local Areas: a Guide to Sources* was released by the Bureu of the Census in March, 1978. As a part of its state and local government special studies program, the Bureau of the Census published a *Guide to Recurrent and Special Governmental Statistics*.

Population

Ordinarily, the Population Program of the Bureau of Economic and Business Research publishes an annual *Florida Estimates of Population* in February. Statistics are given for the state, counties and municipalities as of April 1 of the preceding year. These are the official estimates for the State of Florida, and are used for state revenue-sharing purposes. In addition to the estimates, this publication also contains tables and figures with data on Florida counties such as percentage changes in population, density and percentage distribution of population, age distributions, and population figures. No estimates were published in 1981 covering 1980 because of the availability of the 1980 Census data. The next edition of *Estimates of Florida Population* will appear in 1982 and present estimates for 1981.

This year, a summary of the census counts for Florida and its subdivisions was published. This summary can be ordered from BEBR.

A companion publication, *Population Studies*, is issued four times a year at irregular intervals. Each year, one bulletin is devoted to an age, race, and sex breakdown of the Population Program's county population estimates. Another bulletin contains projections of Florida population by county into the twenty-first century. The two remaining bulletins vary in content. This year, an already published issue gives revised annual estimates of county population, 1970-1980. An evaluation of population-estimation techniques will be coming this fall.

1980 Census of Population and Housing

The final, official decennial census figures have been collected and published in printed form since 1790. Every ten years, this census information is published as a series of chapters, each chapter presenting more detailed data than the previous one. All these reports are available singly by state, bound together for the United States (including the District of Columbia, Puerto Rico, and Outlying Areas), or condensed as a United States summary. Virtually all of the data from the 1980 census will also be available on computer tape. The tapes include much greater detail than do the printed reports.

With each census, statistics are gathered and reported in increasing detail. Some information contained in the 1980 census may not be available from the 1970 census. For this reason, the following descriptions are given of printed reports to become available from the *1980 Census of Population*.

The first series to be published (PCH80-U) will include final population and housing unit counts for states, counties, subdivisions and incorporated places. Separate reports, (PC80-1) and (PC80-2), will present block counts and statistics for Census tracts for SMSAs and large cities.

Number of Inhabitants (PC80-1-A) contains statistics on the final number of inhabitants of the state, its counties, county subdivisions, incorporated and unincorporated areas, Standard Metropolitan Statistical Areas (SMSAs), Standard Consolidated Statistical Areas (SCSAs), and urbanized areas. Maps, charts and tables are used to show total population, percentage distribution, and percentage change between census years.

General Population Characteristics (PC80-1-B) presents data for the following demographic characteristics: household type and relationship, type of family, Spanish origin, age, race, sex, and marital status for

Marylou Mandell, Assistant in Research for the Population Program, confers with Stan Smith, Population Director and Associate Professor

the same areas plus places and towns of 1,000 or more, and rural portions of counties.

General Social and Economic Characteristics (PC80-1-C), the third chapter in the series, covers such subjects as ethnic origin, migration, families, income, education, and employment. Examples of specific data presented are country of origin, mother tongue, year moved into present house, school enrollment by level and type, years of school completed, fertility, year last worked, occupation group, and income of persons and families. Again, subject matter available varies according to size of place but each subject is shown for some or all of the following areas: states, counties and their urban, rural-nonfarm, and rural-farm parts, Standard Metropolitan Statistical Areas, urbanized areas, and urban places.

The fourth and final chapter in the Census of Population series is *Detailed Characteristics* (PC80-1-D). Unfortunately, this series is currently scheduled for microfiche only and not for a printed report. It presents detailed categories and cross-classifications (generally by age) of the social and economic characteristics of the population. Detailed tables deal with nativity, citizenship, education levels, marital status, families, occupation, income, and poverty status. Because of the amount of detail and cross-classification in the tables, the presentation is limited to the larger areas, such as the state, its urban and rural parts, Standard Metropolitan Statistical Areas (SMSAs) and central cities. Most of the data for SMSAs and cities are for areas of 250,000 and more.

In addition to data on total housing units and total population, the *Census of Housing: 1980, General Housing Characteristics* (HC80-1-A) contains information on occupancy and vacancy characteristics, utilization characteristics, structural and plumbing characteristics, and financial characteristics. The format for this text is the same as for the *Census of Population*. Once again, the amount of detail presented is generally greater for larger places than for smaller ones. Series HC80-1-B, *Detailed Housing Characteristics*, expands upon the coverage of general housing characteristics. Cross-tabulation for states, SMSAs, central cities and other cities will appear in a publication entitled *Metropolitan Housing Characteristics* (HC80-2).

The publishing timetable for the 1980 Census calls for the various reports to be issued in the autumn of 1981 and the first three quarters of 1982.

A series of special subject reports is planned (PC2), with each being devoted to a specific topic of population such as Black Population, Persons of Spanish Origin, Mobility and Fertility.

A second series (PC2) will deal with housing topics such as housing for older people, recent movers, and condominiums.

Census report series

Current Census Bureau reports are issued in seven series. These reports contain "national and regional population statistics resulting from periodic surveys (particularly the *Current Population Survey*), special censuses of local areas, and cooperative estimation and projection efforts between individual states and the Bureau."

Population Characteristics, series P-20, has approximately fifteen reports each year. These reports deal with such recurring topics as school enrollment, fertility, and mobility, and usually present data only at the national level. Some recent issues in the P-20 series are *Educational Attainment in the United States, 1979 and 1978*, and *Fertility of American Women, 1979*.

Special Studies, series P-23, is issued several times each year. These reports cover such subjects as youth, the aging, female family heads, and more detailed analytical studies. Some recent topics have been *American Families and Living Arrangements, A Statistical Portrait of Women in the U.S., 1978*, and *Divorce, Child Custody, and Child Support*.

Series P25, *Population Estimates and Projections*, included monthly and annual estimates and projections for the United States, the states, SMSAs, counties, and outlying areas. Other characteristics are covered periodically, such as biennial population, estimates by age, race, and sex, and per capita income estimates.

The Federal-State Cooperative Program for Population Estimates, series P-26, results from a joint effort between most of the states, Puerto Rico, and the Census Bureau. The periodic reports cover population estimates for counties and SMSAs and include percentage changes over the previous year's estimates, as well as births, deaths, and net migration. Each issue deals with estimates and additional data for the counties and SMSAs of a different state.

Consumer Income, series P-60, reports statistics on money income and on low-income housholds. *Characteristics of the Population Below the Poverty Level: 1978*, and *Money Income of Families and Persons in the United States: 1978*, are examples of recent issues of *Consumer Income* reports.

The principal publication of the Immigration and Naturalization Service, the *Annual Report*, is a collection of statistical data pertaining to immigration, naturalization, nonimmigrants, passenger travel, and alien address reports. Some classifications by which immigrants are reported are immigrants admitted by state of intended permanent residence, immigrants admitted by country or region of birth, and immigrants admitted by occupation. Other tables include number of aliens adjusted to permanent resident status, persons naturalized by country of former allegiance and by rural and urban area and city, and administrative certificates of citizenship by county or region of birth.

Vital statistics

Florida Vital Statistics, an annual report of the Department of Health and Rehabilitative Services, summarizes data compiled from birth, death, stillbirth, marriage, and dissolution of marriage records filed with the Office of Vital Statistics. Births and deaths are tabulated according to both usual place of residence and place of occurence. Cause-of-death statistics are also included. The same agency publishes an annual report entitled *Florida Morbidity Statistics* which records the incidence of reportable diseases in the state.

A third annual report is the *Statistical Report of Hospitals*, which deals with patients in the state mental hospital system.

The *Annual Statistical Report* of the Office of Financial Management of the Department of Health and Rehabilitative Services provides data on the expenditures of public welfare funds for the fiscal year. Direct Assistance Payments (for all programs) and total medical assistance are presented by county. All services are recorded as being provided at the time payments for them are made, rather than at the time they were actually provided.

Monthly Vital Statistical Report, published by the Department of Health and Rehabilitative Services, concentrates on a different area of vital statistics with each issue. Typical topics include homicide, accidental deaths, suicide, and pregnancy statistics. In addition to these varying subjects, a quarterly issue is devoted to Florida vital statistics highlights. These reports contain partial-year figures for the same subjects contained in their

annual report—births, death, stillbirths, induced abortions, cause-of-death, infant deaths, marriages, and dissolution of marriage.

Education

The Florida Department of Education is the main source for education data in Florida. The department issues the *Annual Report of the Commissioner of Education: Profiles of Florida School Districts* each spring. This report contains enrollment, membership, and financial characteristics for basic education (K-12), exceptional education, vocational education, and adult education programs. The department also issues a series of *MIS Statistical Reports* during each year. These provide data on teacher and administrative salary ranges, race and ethnic group enrollments, high school graduates, and nonpublic schools.

The department's Division of Community Colleges issues the *Report for Florida Community Colleges* each year, and the State Board of Independent Colleges and Universities publishes an *Annual Report* on the accreditation status of private Florida colleges. The latter report does not include enrollment. Current enrollment figures for the State University System universities can be obtained from the planning offices of each university or from the Board of Regents office.

Published reports about enrollment and financial characteristics of four-year colleges and universities are available only in federal publications, and usually the time lag is greater than for data about elementary and secondary schools. The National Center for Education Statistics in the U.S. Department of Health, Education, and Welfare issues *Digest of Education Statistics; Education Directory: Colleges and Universities;* and *Fall Enrollment in Higher Education,* all of which contain figures on Florida colleges. For a small fee, this agency usually can make current information available on computer printouts.

Income

The U.S. Department of Commerce generates two distinct series of income figures: a personal income series from the Bureau of Economic Analysis and household or money income from the Bureau of Census. Personal income figures are derived primarily from reports from employers of the wages and earnings paid workers; the series also includes other labor income, proprietors' income, property income, and transfer payments. Household income figures are the result of surveys conducted by the Bureau of the Census, asking people about their income for the past year.

The Bureau of Economic Analysis publishes the personal income figures in the monthly periodical Survey of Current Business, usually in the April, May, and August issues. More detailed printouts are sent to agencies within each state for dissemination. In Florida, the BEBR is that agency. These numbers are summarized each year in *Economic Leaflets.* Detailed tables for counties are available for a small fee.

The Bureau of Economic Analysis also publishes detailed county data for the entire country in a nine-volume series titled *Local Area Personal Income, 1974-79.* Florida appears in the Southeast Region volume. This series is available from the U.S. Government Printing Office.

The decennial censuses of population and housing are the primary sources for household income figures. These are updated for the nation and for regions each year in the March *Current Population Survey* (CPS). Revised figures appear in the Bureau of the Census series P-60 on *Consumer Income.* In March of 1976 a more extensive survey was undertaken in connection with the CPS: the 1976 *Survey of Income and Education* (SIE). The data collected in this survey have been released for the nation, regions, and for states in the P-60 *Consumer Income* series. The entire SIE data base is available for public use in microdata form (the unaggregated records for individual respondents to a survey). Tabulations can be made for the nation, census regions and divisions, states, and selected SMSAs. Unfortunately, the small size of the sample limits the usefulness of the data. These computer tapes have been purchased by the University of Florida Libraries.

The enactment of the State and Local Fiscal Assistance Act of 1972 (revenue sharing) prompted the Bureau of the Census to begin issuing a series of annual per capita

Janet Fletcher, Secretary IV

money income figures for counties and incorporated places. The most recent figures are for 1977 and were published in the Series P-25, No. 885. No new numbers in this series will be released until after the census income numbers are available.

The Internal Revenue Service of the U.S. Department of the Treasury makes available information on income from federal income tax returns in the *Statistics of Income* series. Reports include those on *Individual Income Tax Returns, Partnership Returns, Sole Proprietorship Returns, Corporate Income Tax Returns,* and *Estate Income Tax Returns.* Individual and business income tax reports are the only ones with state data.

The 1973 and 1974 individual income tax figures are available for all U.S. counties in a supplemental volume: *Individual Income Tax Returns: Small Area Data.* Unfortunately, these figures have not been updated recently.

Labor force data

Semi-monthly reports issued by the Department of Labor and Employment Security summarize significant activities of the Florida State Employment Service in providing services and employment opportunities to rural workers, including seasonal and migrant farmworkers. The reports indicate the numbers of workers in these areas and seasonal patterns in rural employment.

A comprehensive study of current unemployment compensation benefits in Florida was published in May of 1977. *A Report on Florida's Unemployment Compensation Benefit Costs and Financing: 1977-1981* evaluates the current financial structure of Florida's unemployment insurance program within the framework of economic changes in the state. Included are a historical account of the development of the program in Florida, a discussion of Florida economic trends, and methodological considerations in the management of the program. Appendices include projections of population, employment, labor force and related cost data.

Florida Employment Directions: 1976-1982 was published by the Division of Employment Security. It provides projections of job availability by industry and occupation in the state and planning districts to 1982, and is intended to "meet the needs of curriculum developers in public education, planners of manpower training programs, and personnel administrators in both the public and private sectors." The current edition provides detail by geographic substate area for the first time.

The Division of Employment Security of the Florida Department of Labor and Employment Security gathers and distributes unemployment data in *Characteristics of the*

Susan Floyd, Statistician II

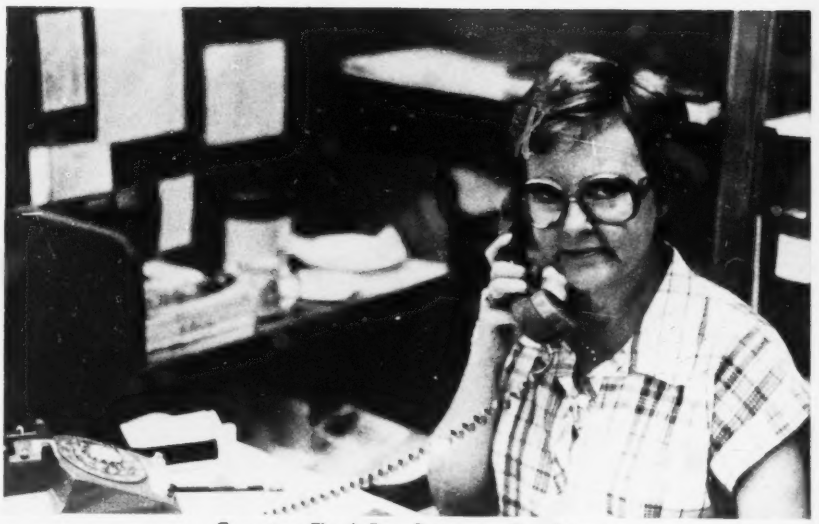
Insured Unemployed. Current information includes age, sex and race of the insured unemployed, industry attachment by sex and number of weeks of insured unemployment, duration of current unemployment by occupation, and age and sex by current duration of employment. Employment by agencies at various levels of government in Florida is analyzed in the 1977 Census of Governments of the U.S. Bureau of Census.

Detailed data on public expenditure and employment in criminal justice activities in the United States are presented in the annual editions of *Expenditure and Employment Data for the Criminal Justice System*, published by the Law Enforcement Assistance Administration of the U.S. Department of Justice and the Bureau of the Census. Data are presented by function within the criminal justice system.

First quarter employment and payroll statistics by industry for all counties in the state are in the annual Florida volume of *County Business Patterns*, published by the Bureau of the Census. The introduction to the 1979 edition provides the following explanation of the series:

"Because County Business Patterns statistics provide information on establishments, payroll, and employment by industry classification and county location, they are useful for analyzing market potential,

Stan Smith and Pam Middleton, Secretary III.



Genevieve Floyd, Data Processing Coordinator, Computing Lab

measuring the effectiveness of sales and advertising programs, setting sales quotas and budgets, analyzing the industrial structure of regions, making basic economic studies of small areas, and serving other business uses. They are also useful to government agencies for administration and planning purposes."

Employment data for the state and areas are included in the Florida reports of the *1977 Census of Wholesale Trade*, the *1977 Census of Retail Trade*, and the *1977 Census of Selected Service Industries*. The economic censuses are taken at five-year intervals and provide comprehensive studies of industrial and business activity in the nation, states, and areas. The area statistics volumes for Florida include state and area data on businesses and industries by standard industrial code classification, including number of establishments, sales volume, payroll and paid employees.

Employment and Earnings, States and Areas 1939-78 is described in the introduction as the "comprehensive historical reference volume of State and area employment and earnings statistics released by the Bureau of Labor Statistics." Employment in the nonfarm sector of the economy is given, along with average weekly earnings, average weekly hours and average hourly earnings, by Standard Industrial Classification code (SIC), for states and Standard Metropolitan Statistical Areas.

Bulletins issued by the Bureau of Labor Statistics (BLS) include *Analysis of Work Stoppages* and *Directory of National Unions*.

An additional publication of BLS is a series of bulletins under the title *NEWS*, each of which contains data on a topic related to employment.

Another Bureau of Labor Statistics publication, *Geographic Profile of Employment and Unemployment, 1979*, gives civilian labor force, employment, and unemployment by age, race, and sex for twenty-six large states, including Florida, and includes data for the Miami area in the section dealing with SMSAs.

Employment

Florida Employment Statistics, published monthly by the Division of Employment Security of the Florida Department of Labor and Employment Security, provides current data on employment in Florida. The bulletins regularly include estimates of the civilian labor force, including employment, unemployment, and unemployment rate; nonagricultural wage and salary employment; and unemployment compensation information. A quarterly report on characteristics of the insured unemployed analyzes its data by planning district and industry.

Also included are a monthly breakdown of employment in nonagricultural establishments in Florida by industry group, and figures for average weekly hours, average weekly earnings, and average hourly earnings in manufacturing and selected nonmanufacturing industries. Accompanying commentary interprets trends in the data.

While *Florida Employment Statistics* focuses on the statewide picture, a companion publication, *Labor Market Trends*, is concerned with the same categories of information for the Standard Metropolitan Statistical Areas in the state. Again, the statistics are accompanied by interpretive analysis of trends in employment and economic growth in the SMSAs. Data for the larger SMSAs are presented at both the area and county level.

The Division of Employment Security also generates the ES 202 data series on employment covered by Florida's unemployment compensation law. The series, which represents about 90 percent of the labor force, gives state and county employment figures by standard industrial classification codes, including for each category the number of units reporting, number of persons employed, and quarterly wages. Historical data since 1975 are maintained by the Bureau of Economic and Business Research.

Agricultural labor and employment are reported on by the Florida Crop and Livestock Reporting Service in Orlando.

Social insurance and welfare

The U.S. Social Security Administration is the principal source of information about social security programs (old-age, survivors, disability, and health insurance—OASDHI). State data are published monthly in the *Social Security Bulletin* and annually in its *Annual Statistical Supplement*. County data are released annually (as of December 31) in a special report entitled *Old-Age Survivors, Disability, and Health Insurance by State and County*; this report must be specially requested from the Social Security Administration and only a limited number of copies are available. The BEBR disseminates these data in the *Florida Statistical Abstract*. Special publications are also available. One recent report is entitled *Disposition of Public Assistance Cases Involving Questions of Fraud*.

The *Social Security Bulletin* also publishes data on various state public assistance programs and on workmen's compensation. The *Bulletin* is available from the Government Printing Office. Medicare information is also available in *Medicare, Annual Report*.

State and county information about four public assistance programs, for the aged, the blind, the permanently and totally disabled, and dependent children, which are administered by the state but financed in part by the federal government;, is included in the *Annual Statistical Report* published by the Florida Department of Health and Rehabilitative Services, Office of Financial Management, Statistical Reporting Section.

Land and climate

The areas in square miles of counties and cities are published by the U.S. Bureau of the Census in conjunction with the decennial censuses and the *County and City Data Book 1977*.

Data on temperatures, rainfall and other

climatological features are found in *Climatological Data: Florida, Annual Summaries and Monthly Reports*. These data are published by the Environmental Data and Information Service of the National Oceanic and Atmospheric Administration, a Department of Commerce agency.

Public Land Statistics, 1978, a publication of the Bureau of Land Management of the U.S. Department of the Interior, presents information on land owned by numerous federal agencies in the various states.

Agriculture, forestry, fisheries and minerals

Two government departments publish information about agriculture. Data about the number of farms, acreage, value, ownership, land utilization, production and value of farm products are available in the five-year censuses taken by the Bureau of the Census. The most recent data are for 1978. The printed volume for Florida is *State and County Data, Florida* (Volume 1, Part 9). Volume 1, part 51 is a summary of U.S. and state data.

Publications from the U.S. Department of Agriculture generally provide greater timeliness and detail. Among these publications are: *Agricultural Outlook*, *Agricultural Statistics*, and particularly, *Economic Indicators of the Farm Sector: State Income and Balance Sheet Statistics, 1979*.

Reports about Florida livestock, citrus, poultry, milk, vegetables, foliage and flowers, and field crops are issued by the Crop and Livestock Reporting Service in Orlando.

The principal source of data on Florida forests is the Florida Department of Agriculture and Consumer Services. It does not issue a regular series of publications, only special reports from time to time. The American Forest Institute, with headquarters in Washington, D.C., publishes *Tree Farm Progress Report* with regular data on the number and acreage of tree farms. The U.S. National Forest Reservation Commission issues information about national forests in its *Annual Report*.

The National Marine Fisheries Services of the U.S. Department of Commerce provides information about fisheries by issuing a monthly report of *Florida Landings* and an annual summary. The agency also publishes *Fisheries of the United States* which gives landings for all states, price information, and data about employment and cooperatives.

The U.S. Bureau of Mines is the principal source for data on mineral industries in Florida. *The Mineral Yearbook* reports figures on the value of production in the state and counties of Florida. The Bureau of Mines also issues a monthly report with annual summary for phosphate rock production in Florida and the rest of the United States. Unfortunately because of disclosure problems, Florida data are grouped with those for North Carolina, which limits the usefulness of the information.

Every five years the Bureau of the Census conducts a Census of Mineral Industries; the most recent was in 1977, and printed reports are issued.

Construction

The Bureau of the Census issues monthly, quarterly and annual series of *Construction Reports*. Except where the title indicates otherwise, the reports contain national and regional data:

C20 Housing Starts
C21 New Residential Construction in Selected SMSAs
C22 Housing Completions
C25 Sales of New One-Family Houses
C27 Price Index of New One-Family Houses sold
C30 Value of New Construction Put in Place
C40 Housing Authorized by Building Permits and Public Contracts: States, SMSAs, and Individual Places
C41 Housing Authorized by Building Permits and Public Contracts
C45 Permits Issued for Demolition of Residential Structures in Selected Cities
C50 Expenditures on Residential Additions, Alterations, Maintenance and Repairs, and Replacements

These data in these series are brought together in *Construction Review*, a monthly publication also from the Bureau of Census. The *Review* also contains information on cost and materials indexes, wages and earnings, and employment.

More detailed data for individual states and

for specialized industries are collected every five years by the Bureau of the Census as a part of the *Census of Construction Industries*. Printed industry and area reports provide benchmark data; special tabulations may be obtained on computer tape, on punch cards, or in tabular form.

The BEBR cooperates with the Bureau of the Census in the collection and publication of monthly, quarterly and annual aggregate building permit figures. Monthly, quarterly and annual reports with figures for all the permit-issuing places in Florida are available in *Building Permit Activity in Florida*, published by the BEBR.

Transportation

Another of the series of economic censuses conducted by the U.S. Bureau of the Census is the *1977 Census of Transportation*. It consists of four parts:

1. Truck Inventory and Use
2. National Travel
3. Commodity Transportation
4. Nonregulated Motor Carriers and Public Warehousing

Data from the Commodity Transportation segment are available from the Census Bureau on microfiche only. The others are available in printed reports as well.

The U.S. Department of Transportation publishes two annual compilations of statistics: *Highway Statistics* and *Fatal and Injury Accident Rates on Federal Aid and Other Highway Suppliers*. *Traffic Accident Facts* is published by the Florida Department of Highway Safety and Motor Vehicles. This agency can supply data on motor vehicles and drivers licenses.

The Bureau of the Census publishes an annual report dealing with waterborne commerce and airborne exports and imports.

The Federal Aviation Administration of the U.S. Department of Transportation publishes *Air Traffic Activity* and *Airport Activity Statistics of Certified Route Air Carriers*. International movements of aircraft are reported in the *Annual Report on the State of Finances*, U.S. Secretary of the Treasury.

Some data on railroad operations in the state are available from the Florida Public Service Commission. Other information comes from *Yearbook of American Railroads* published by the Association of American Railroads. Data on individual railroad and airline companies can be found in Moody's *Transportation Manual*.

Communication

Private sources supply basic data on this industry. *Editor and Publisher International Yearbook* provides data on the names, publishers and circulation of daily and weekly newspapers. *Broadcasting* magazine supplies information on revenues from television and radio broadcasting. The Florida Public Service Commission is the source of data on telephone companies, and the number of exchanges and stations. The Southern Regional Office of the U.S. Postal Service in Memphis supplies BEBR with a computer printout of post offices in Florida, together with their annual revenue.

(From right)
Charles E. Morrison, Managing Editor of Dimensions
and
Kim Weeks, Graphic Artist

Energy

The principal source for information about the energy situation in Florida is the Governor's Energy Office, which issues *Patterns of Energy Consumption* and other releases. The Florida Public Service Commission publishes *Statistics of the Florida Electric Utility Industry* as well as other reports on specific topics, including data about gas companies.

The Florida Department of Revenue issues monthly reports about gasoline sales in

Florida; these data are summarized in the *Annual Report of the Comptroller*. State and national figures on the consumption of motor fuels is printed in their annual volumes of *Highway Statistics*, issued by the Federal Highway Administration.

The U.S. Department of Energy, Energy Information Administration, supplies data on electric bills from various utility companies in Florida and the rest of the nation in *Typical Electric Bills*. It also supplies the *State Energy Data Report*.

Gas Facts from the American Gas Association is the source of much data on that industry.

The U.S. Department of Energy, Energy Information Administration (EIA), prepares *EIA Publications—New Releases* every other week. This announcement lists new federal publications and releases. To be placed on the mailing list, write the National Energy Information Center, EI-20, Forrestal Building, U.S. Department of Energy, Washington, D.C. 20585. These announcements supplement the *EIA Publications Directory* (GPO Stock No. 061-003-00102-5), which lists EIA publications released from October, 1977 through December, 1979.

Manufacturing, wholesale and retail trade, and services

The basic data on manufacturing, wholesale trade, retail trade, and service industries are collected and published as part of the Economic Censuses taken every five years. The *Census of Manufacturing*, *Census of Wholesale Trade*, *Census of Retail Trade*, and *Census of Service Industries, 1977*, should be available in all depository libraries. The data are also available from the Census Bureau on computer tapes. These censuses provide national, regional, state, county, and city data.

In addition to the five-year census, the Bureau of the Census conducts an annual survey of manufacturing establishments and issues an annual publication. The most recent release for Florida is the *1978 Annual Survey of Manufacturers: Statistics for States, SMSAs, Large Industrial Counties, and Selected Cities*. (M76(AS)6). Persons interested in the movement of retail trade within metropolitan areas should take note of a Census Bureau publication: *Major Retail Centers*.

The Bureau of the Census also issues a series entitled *Current Business Reports* which provide up-to-date information for the nation, regions, and some selected smaller areas:

- Weekly Retail Sales (national data)
- Advance Monthly Retail Sales (national data)
- Monthly Retail Trade Sales and Inventories (national, regional, state, selected SMSAs, and cities)
- Annual Retail Trade Report (national data)
- Monthly Selected Services Receipts (national data)
- Monthly Wholesale Trade Reports (national data)
- Revised Monthly Retail Sales and Inventories, 1971-80

The Florida Department of Revenue collects and disseminates data about gross and taxable sales in the state and counties, in connection with sales tax collections. Monthly, quarterly, and annual reports are available from the Department of Revenue for state sales by kind of business and county aggregate sales. County sales by kind of business are available on a subscription basis from the BEBR.

The Florida Department of Commerce, Department of Economic Development, publishes *Florida Facts*, which lists retailers who are large employers.

Employment and payroll data for manufacturing, retail and wholesale trade, and service industries in Florida and its counties are available from the ES-202 industry reports that are filed with the Florida Department of

Ann C. Pierce, Program Director for Publications and Information Director

Commerce. Data are classified by the two-three- and four-digit standard industrial classifications (SIC). The data are not issued in published form but are available on computer tape. Because of disclosure problems, access to the tapes is difficult. The BEBR received the tapes from the Department of Revenue and publishes as much of the information as possible in the annual editions of the *Florida Statistical Abstract*. In addition, the BEBR can access the tape for users willing to pay the computer costs.

Employment and payroll data for states and counties for these industries are also published by SIC codes in *County Business Patterns*.

Many service establishments are operated or managed by persons who are required to have a license issued by the Florida Department of Professional Regulation. Data on the number of such persons by county are obtainable from this agency.

Finance and insurance

The Federal Deposit Insurance Corporation is a major source for banking data in the *Annual Report* and in the semiannual reports on *Assets and Liabilities: Commercial and Mutual Savings Banks*. These data are reported for states but not for substate areas. The Florida Division of Banking issues an *Annual Report* which provides figures on individual banks in Florida.

Denise Witte, Statistician I

Considerable national data are available from the Federal Reserve Bank of Atlanta, and from other regional offices. Unfortunately, state and SMSA data are no longer released.

The Florida Savings and Loan League releases *Trends* monthly, which offers considerable detail about savings and loan activity in the state. Assets, savings, and mortgages for individual savings and loan associations are reported in the *Annual Report* of the Florida Savings and Loan League.

The Florida Department of Insurance publishes an *Annual Report* which provides considerable detail about insurance companies in Florida. Three private organizations also issue reports with state and national data: Institute of Life Insurance, *Life Insurance Fact Book;* Insurance Information Institute, *Insurance Facts;* and Health Insurance Institute, *Source Book of Health Insurance Data.*

There are sources of information about credit union activity in Florida: the Florida Credit Union League in Tallahassee, which issues a *Credit Union Statistical Yearbook*, and the Florida Office of the Comptroller, which prepares the *Annual Report: Florida Chartered Credit Unions.*

Federal financing of house construction is outlined in *FHA Homes*, an annual report of the U.S. Department of Housing and Urban Development.

Tourism

The Bureau of the Census conducts a National Travel Survey every five years as a part of the Census of Transportation. The figures are issued in printed reports: *Summer Travel, Spring Travel, Fall Travel,* and *Winter Travel,* as well as the annual summary *Travel During 19—*. Data from the 1977 survey are available. The U.S. Travel Data Center (1100 Connecticut Avenue, N.W., Washington, D.C. 20036) expands on the census data with reports such as the *National Travel Expenditure Study* and *The Impact of Travel on State Economies.*

At least two other business research centers issue reports which contain data for Florida. The Business Research Division of the University of Colorado issues *Travel Trends in the U.S. and Canada,* and the Division of Research, College of Business Administra-

tion, University of Georgia, publishes *The Georgia Travel Industry* annually.

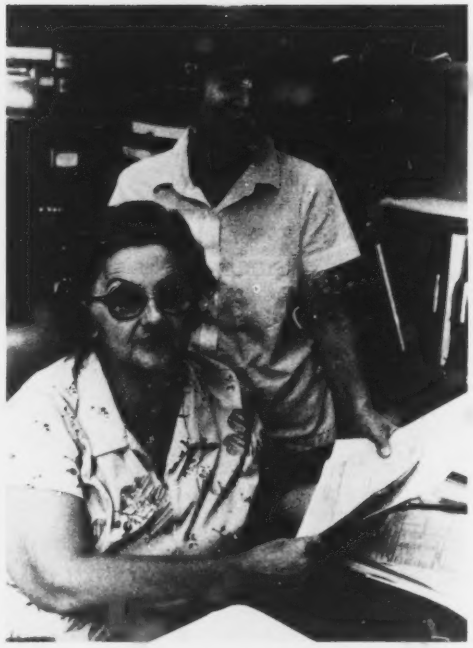
In Florida, tourist information is issued by the Division of Tourism in the Department of Commerce. Quarterly state and county reports are available as well as an annual *Executive Summary*. Estimates are made of the number of tourists entering Florida by automobile and by air. A sample of these visitors is interviewed to obtain data on expenditures and length of stay. The Division of Recreation and Parks of the Florida Department of Natural Resources releases monthly and cumulative reports on attendance at state parks and memorials, and also issues an annual count of boats registered by county. The Division of Planning and Programming of the Florida Department of Transportation is the source of monthly and annual counts of traffic entering and leaving Florida and passing other specific points. Licensed hotels and motels and food service establishments are counted by the Division of Hotels and Restaurants in the Florida Department of Business Regulation.

Tourism is one component of the forecasts of economic activity provided to subscribers of *The Florida Outlook*, issued quarterly by the BEBR. A previous issue of *Business and Economic Dimensions* was devoted to "Tourism in Florida." Copies are available at $4 each from the Bureau of Economic and Business Research.

Health, education and cultural services

Many establishments and agencies which provide health, educational and cultural services are financed by federal, state or local governments. Others are nonprofit corporations. Profit-making institutions are to be found operating hospitals, other health-related establishments, schools, nurseries, and galleries. In any case, these facilities have an economic impact on their communities because they raise and invest capital, earn revenue, make expenditures and employ both professional and nonprofessional personnel.

Professionals such as physicians, dentists, nurses, therapists, podiatrists and chiopractors are most likely to be independent, fee-charging agencies. They also can be looked at as economic institutions. Data on these professionals are collected by the Department of Professional Regulation of the State of Florida. The DPR can supply statistics related to health practitioners and professionals.



Angelina Insalaco, Fiscal Assistant, (foreground) and Barbara Jacobson, Secretary III

The Office of Licensure and Certification in the Florida Department of Health and Rehabilitative Services is the source of data on hospitals and nursing homes in *List of Licensed Hospitals*.

The annual report of the Commissioner of Education, *Profiles of Florida School Districts*, is the basic source of information about public school systems. The Division of Public Schools issues reports entitled *MIS Statistical Reports* and *MIS Statistical Briefs* which contain data on a specific phase of education.

The Division of Library Services of the Florida Department of State publishes the *Florida Library Directory with Statistics*.

Statistics on higher education are published in the *Annual Report* of the National Center for Educational Statistics of the U.S. Department of Education.

Only employment and payroll data from the Florida Department of Labor and Employment Security are available to suggest dimensions of cultural institutions other than schools and libraries.

Government and elections

The 1977 Census of Governments provided benchmark data on the number and characteristics of governmental units in Florida and throughout the United States. Basic details for the state were published in the *1979 Florida Statistical Abstract.*

The Florida Department of State provides information on the number of registered voters and numbers of votes cast. The most recent analysis is entitled: *Florida General Election, November 4, 1980.*

Employees of the federal government in each state are counted by the U.S. Office of Personnel Management and the resulting statistics are contained in its *Annual Report.*

Courts and law enforcement

The principal sources of data on crime and criminals are the annual report of the Florida Department of Criminal Law Enforcement, *Crime in Florida,* and *Crime in the United States,* a report of the Federal Bureau of Investigation.

The U.S. Department of Justice has a Bureau of Justice Statistics which publishes *Expenditure and Employment Data for the Criminal Justice System* and *Capital Punishment.* The Federal Bureau of Prisons and the Florida Department of Corrections issue reports on the number and status of prisoners.

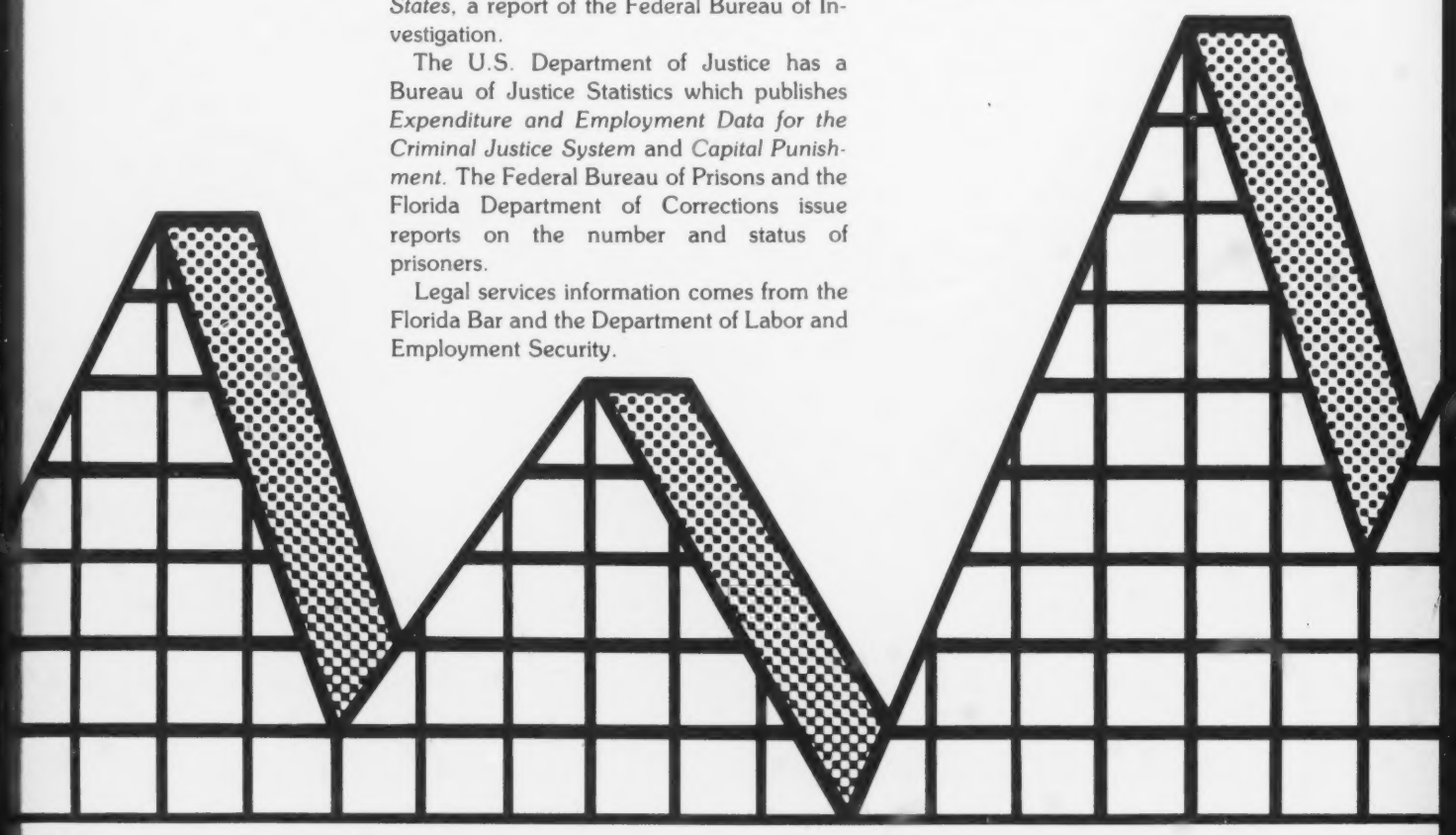
Legal services information comes from the Florida Bar and the Department of Labor and Employment Security.

Government finance and employment

The basic document for information about state government finances in Florida is the *Annual Report of the Comptroller* usually available in December of each year. In addition, the Department of Revenue issues an annual report on *Florida Ad Valorem Valuations and Tax Data.*

Data on county and municipal government finances are collected by the Florida Department of Banking and Finance and published in the annual *Local Government Financial Report.* The Florida Department of Business Regulation issues quarterly and annual reports on parimutuel wagering and beverage licenses. Both the Florida treasurer's office and the Division of Retirement issue annual reports.

The Bureau of Census has an extensive reporting program in the area of government finances (the GF series) and government employment (the GE series). These publications are particularly valuable if comparison



with state and/or local government in other states is necessary. The figures have been adjusted for comparability. Also for this reason, Florida figures in these reports may vary from the figures in reports issued by Florida agencies. The GF series includes *Govermental Finances, State Government Finances, City Government Finances, County Government Finances, Local Government Finances in SMSAs and Large Counties,* and *State Tax Collections. The GE series includes Public Employment, County Government Employment, City Employment,* and *Local Government Employment in Selected Metropolitan Areas and Large Counties.* In addition to these series, the Bureau of the Census issues state and local government special studies on topics such as labor-management relations and environmental quality control. The 1977 Census of Governments contained considerable detail on finances of state and local government which may serve as benchmark data.

A private nonprofit agency, the Tax Foundation, issues a monthly newsletter, *Monthly Tax Features,* and other studies with comparative data on the tax situation in the fifty states.

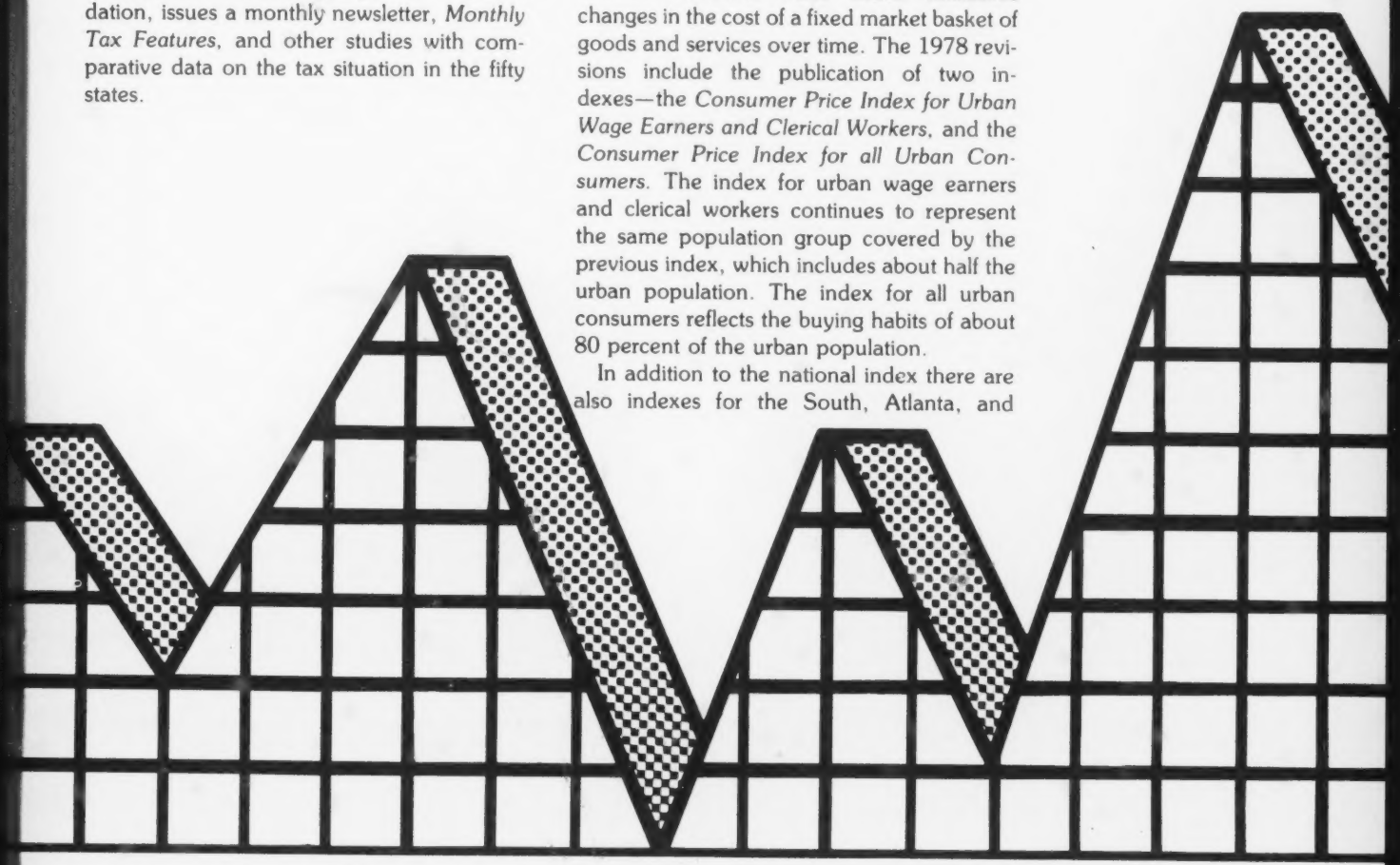
Economic indicators

Each month, the Bureau of Research and Analysis of the Division of Employment Security of the Florida Department of Labor and Employment Security compiles nine time series that are considered to be appropriate forecasts of economic activity in the state. The forecasting group utilizes these data for projecting economic activity along with other indices. Forecasts appear each quarter in *The Florida Outlook.* Indicators are published occasionally in *Florida Economic Indicators.* These publications are available on a subscription basis from the Bureau of Economic and Business Research. A summary of the indicators is included each year in the *Florida Statistical Abstract.*

Price indexes

The Consumer Price Index measures changes in the cost of a fixed market basket of goods and services over time. The 1978 revisions include the publication of two indexes—the *Consumer Price Index for Urban Wage Earners and Clerical Workers,* and the *Consumer Price Index for all Urban Consumers.* The index for urban wage earners and clerical workers continues to represent the same population group covered by the previous index, which includes about half the urban population. The index for all urban consumers reflects the buying habits of about 80 percent of the urban population.

In addition to the national index there are also indexes for the South, Atlanta, and



Miami. The University of North Florida, in cooperation with the *Florida Times-Union*, compiles and copyrights a price index for Jacksonville.

Users of the city data should be cautioned that the city indexes do not compare costs of living between areas, as each index is set at 100 in the base month, regardless of how prices in any given cities compare at that time. The city indexes show how prices are increasing within a city over a period of time. Comparisons can be made, however, based on the region/population size cross-classification indexes. Consumer Price Index data are available to the public in Bureau of Labor Statistics monthly publications and in the *Survey of Current Business*.

Other BLS price statistics of interest include the Producer Price Indexes (formerly the Wholesale Price Index) which "measure average changes in prices received in primary markets of the United States by producers of commodities in all stages of processing," and *Estimated Retail Food Prices by City*, showing food price changes, and including data for the Miami area. Current national BLS statistics are published monthly in the statistical sections of *Survey of Current Business* and *Monthly Labor Review*

Historical data from the BLS series are included in the *Statistical Abstract of the United States*, published annually by the Bureau of the Census, and in the annual editions of the *Handbook of Labor Statistics*. The 1975 edition is designated as the "reference edition" and is the last to contain a complete series of historical data. Later editions carry data only from 1967 forward.

While the BLS price indexes measure price changes for specified items over a period of time, the annual *Autumn Urban Family Budgets and Comparative Indexes for Selected Urban Areas* provides "hypothetical budget costs and comparative cost indexes for a family of four at three levels of living—lower, intermediate, and higher—in forty metropolitan areas and four nonmetropolitan regions." Budget data are consistent from area to area, allowing comparison among cities.

Another measure of prices in the state is provided by the biennial *Florida Price Level Index: A Report to the Florida Legislature*, prepared and published by the Department of Administration.

While the Consumer Price Index is a time index, measuring price level changes from month to month, the Florida Price Level Index (FPLI) is a spatial index which measures price level differences from place to place. Based on a fixed market basket of goods and services, the FPLI determines the cost of this market basket in each Florida county, and provides county index values based on 100 as the average statewide cost.

Social indicators

The University Presses of Florida publishes *Florida Statistical Abstract* annually. Section 25.00 includes a number of indicators for Florida, other sunbelt states and other populous states not in the south. The *Abstract* also presents indicators for the Standard Metropolitan Statistical Areas of Florida. Both series are updated each year. These statistical series are selected to show something about the quality of life in Florida and the various SMSAs in relation to other areas.

Ben-Chieh Liu's *The Quality of Life in the United States*. (Kansas City, Mo., Midwest Research Institute) presents a one-time estimate and analysis of the quality of life in the fifty states and the District of Columbia. Over 200 variables have been accumulated. The raw scores are available and index numbers have been determined. This publication is the most complete study of state data at present.

Ben-Chieh Liu's *Quality of Life Indicators in U.S. Metropolitan Areas, 1970* (Washington, D.C., Washington Environmental Research Center, U.S. Environmental Protection Agency.) is similar in purpose and methodology to *Quality of Life in the United States*. There are 120 indicators for 243 SMSAs in the country. All SMSAs that had been designated for Florida at that time are included.

For a comprehensive explanation of the selection and use of social indicators and a comparison of public impressions of the quality of life in the United States over time and with other countries, readers are urged to consult *Social Indicators III*, a 1980 publication of the U.S. Bureau of the Census obtainable from the Superintendent of Documents.

Information Sources on Florida's Older Population

Frances W. Terhune

Assistant Director for Administration and Assistant Research Scholar

The older population of Florida and the United States is growing faster than the population as a whole. From 1970 to 1980, the number of persons age 65 and over in Florida increased by 695,606, a 70.3 percentage increase; while total population grew by 43.4 percent. Currently, 17.3 percent of Florida's 1,684,972 people are age 65 and over—the highest percentage of any state.

These increasing numbers and proportions reflect demographic changes that are already having pervasive influences on the economy and on public policy regarding health and other supportive human services in the state. These trends underscore the need for information to reveal the constantly changing makeup of the older population, the economic and social conditions confronting older people in different regions of the state, and the effectiveness with which public and private resources are being mobilized to adjust to these changes.

Any attempt at understanding and planning for these demographic and economic changes must be based on good, small-area information about older people. Unfortunately, the specific information needed is often not available.

In 1976, in recognition of the need for a continuing program to maintain and disseminate current information on older people in Florida, the Center for Gerontological Studies at the University of Florida published *Older People in Florida: A Statistical Abstract*. Following the next edition in 1978, the series became biennial. The most recent edition for 1980-81 was published last February as a joint venture of the Center and the Bureau of Economic and Business Research (BEBR).

This latest volume is an interim or preliminary publication because information from the 1980 Census of Population and Housing was not available at press time. The 1978 edition contained more 1970 Census data than the newest edition, and can be a handy reference for 1970 comparison numbers when the 1980 numbers are released. The 1980-81 edition includes updated county and state information whenever possible. In addition, much national and southern regional information is included to make users aware of these sources and to provide a broad picture against which local experiences can be viewed. The 1982-83 edition of *Older People in Florida* will attempt to organize and present the 1980 Census information.

There is an urgent need in Florida for an ongoing program for providing intercensal estimates of data about older people. Each

year, the BEBR prepares estimates of the population age 60 and 65 and over, and performs state-level projections by age. However, there is a need for additional estimates, particularly in the areas of income and housing. The BEBR is investigating sources for funding to support this effort and, with the assistance of the Center for Gerontological Studies, hopes to offer such information by the mid-1980s.

On the following pages is an attempt to describe specific sources which provide information about older people. Material presented in other articles in this magazine will also be helpful to persons working with figures on the older population. The reader is referred to those articles, as there will be no attempt to repeat those discussions here.

U.S. Bureau of the Census

Of course, the decennial census of population and housing provides the most basic and comprehensive information about older people. Unfortunately, the first release of county age numbers for 1980 has been delayed, and is not expected until December, 1981. Other age-related information, such as housing characteristics, household composition, migration trends, income, and employment probably will not begin to appear until mid-1982 or later. Those who need these data should stay in close touch with the documents librarian at one of the U.S. depository libraries in Florida. (A list appears elsewhere in this magazine.) The librarians will receive updated schedules of the release of census numbers and maintain ordering information about individual publications.

Dorothy Evans, Word Processing Systems Operations Supervisor

It now appears likely that the publication program of the Census Bureau will be substantially reduced and that much information will be vailable only on microfiche and computer tape. This reduction will probably have a great effect on the availability of age-related data. Readers are referred to the article which describes the services of the University of Florida Library in accessing census computer tapes. The BEBR hopes to make some of this unpublished data available in the 1982-83 edition of *Older People in Florida*.

In addition to the decennial census, the Census Bureau also conducted a 1976 Survey of Income and Education (SIE). This survey provided published age-related state numbers on income, poverty levels, household composition, etc. These data were published in three issues of the Current Population Reports: *Consumer Income—Household Money Income in 1975*. (Series P-60, No. 108), *Consumer Income—Money Income and Poverty Status in 1975* (Series P-60, No. 112), and *Population Characteristics—Demographic, Social, and Economic Profile of States, Spring 1976* (Series P-20, No. 334).

The Census Bureau annually provides much national and regional information on income, household composition, marital status, and poverty levels of the older popula-

Kathleen Donahue Cox, Editorial Assistant

tion in the P-60 and P-20 series. In Series P-25, No. 796, projections of all state populations are presented by age, race and sex.

Population

In addition to the information available from the Census Bureau, there are other sources of population information. As mentioned previously, the BEBR annually publishes county age, race, and sex estimates of population in one issue of *Population Studies*. This issue usually appears in the summer but has been postponed this year because of the delay in the release of census numbers. This publication presents five-year age breakdowns through age 64 and then aggregate for age 65 and over. For a small fee, the BEBR can make available estimates at five-year intervals above age 65 or for age groupings other than those published.

The U.S. Department of Health and Human Services, Administration on Aging, has issued *The Elderly Population: Estimates by County, 1977*. This release gives county populations age 60 and over and age 65 and over and the respective percentage changes, 1970-77, for all counties in the United States. It is possible to compare small-area changes in Florida with sections of California, Texas, Arizona, etc.

Housing

The Census of Housing contains the basic information on housing for older people. The release of these reports is discussed in the earlier article under Housing.

National, regional, and selected Standard Metropolitan Statistical Area (SMSA) information is gathered in the Annual Housing Survey taken by the U.S. Bureau of the Census for the Department of Housing and Urban Development. The most recent U.S. and regional survey available is 1978 (Series H-150-78). Two Florida SMSAs are among the sixty in the U.S. for which surveys are also taken. The Miami 1975 survey (H-170-75-28) and Orlando 1977 survey (H-170-77-11) are available in printed books from the U.S. Government Printing Office. These releases contain much age-related data.

The Florida Association of Homes for the Aging issues an annual report which gives the location and available beds for this type of housing.

Data on housing covered under programs of the Department of Housing and Urban Development (HUD) comes from the HUD *Statistical Yearbook* and in unpublished form from the HUD Jacksonville Area Housing Management Division. A complete description of HUD programs is available in a booklet entitled *Programs of HUD*, HUD-214-4-PA(3), issued November, 1978. *Housing in Florida: A Report to the 1977 Legislature* was published by the Florida Department of Community Affairs and also gives information on HUD programs in Florida.

Victoria LaPlaca, Word Processing Systems Operator, Copy Center

Nellie Widener, Data Entry Operations Supervisor I, Computing Lab

Information on the additional or senior homestead exemption for five-year Florida residents more than 65 years of age is published in *Florida Ad Valorem Valuations and Tax Data*, available from the Florida Department of Revenue.

Vital statistics and health

The Florida Department of Health and Rehabilitative Services Public Health Statistics Section in Jacksonville releases vital statistics data monthly and later accumulates them in two annual reports, *Florida Vital Statistics* and *Florida Morbidity Statistics*. These publications have detailed information on deaths by cause, marriages, divorces, and reported diseases. Most of the data are available by age.

Information on licensed health service practitioners and professionals comes from the Cooperative Health Statistics System in the Office of Health Planning and Development in the Florida Department of Health and Rehabilitative Services. Another source is *Health Resources Statistics* published by the National Center for Health Statistics of the U.S. Department of Health and Human Services. A special study was made by the Florida State University System, Community Hospital Education Council, entitled *the Geographic and Specialty Distribution of Physicians in Florida*. Current information on the number of licensed health professionals in each county can be obtained on computer printout from the Florida Department of Professional Regulation. The categories available include physicians, physical and occupational therapists, denists, dental hygienists, osteopaths, optometrists, dispensing opticians, psychologists, registered and practical nurses, podiatrists, nursing home administrators, chiropractors, funeral directors and embalmers, x-ray and laboratory technicians, and others.

Perry Jo Curry, Clerk Typist III, Copy Center

Bed capacity of licensed hospitals and nursing homes is reported by the Office of Licensure and Certification in the Florida Department of Health and Rehabilitative Services. Hospital data are also reported by the National Center for Health Statistics in *Hospitals: A County and Metropolitan Area Data Book*.

The U.S. Association of State and Territorial Health Offices, through the National Public Health Program Reporting System (NPHRS), issues an annual report giving state data: *Services, Expenditures, and Programs of State and Territorial Health Agencies*.

National information on visits by older people to the doctor, physician office care by specialty, and many other specific health items is provided in *Health United States, 1980*, published by the U.S. Department of Health and Human Services.

The Health Care Financing Administration (HCFA) in the U.S. Department of Health and Human Services was established to combine health financing and quality assurance programs into a single agency. HCFA is responsible for the Medicare program, federal participation in the Medicaid program, the Professional Standards Review Organization program, and a variety of other health care assurance programs.

HCFA's Office of Research, Demonstrations, and Statistics (ORDS) conducts studies and projects that demonstrate and evaluate optional reimbursement, coverage, eligibility, and management alternatives to the present federal programs. ORDS also assesses the impact of HCFA programs on health care costs, program expenditures, beneficiary access to services, health care providers, and the health care industry. In addition, ORDS monitors national health care expenditures and prices and provides actuarial analyses of the cost of current HCFA programs, as well as the impact of possible legislative or administrative changes in the programs.

ORDS issues several publications which give national data on Medicare, Medicaid,

health care financing, and other health care matters: *Health Care Financing Notes*, *Health Care Financing Program Statistics*, *Health Care Financing Trends*, and a quarterly magazine with analytical articles, *Health Care Financing Review*. Information on these publications can be obtained from ORDS Publications, Room 1E9, Oak Meadows Building, 6340 Security Boulevard, Baltimore, Maryland 21235.

Income

Until the 1980 Census numbers are available, a good source for much national detail on the incomes of older persons is *Income of the Population 55 and Over, 1976*, published by the U.S. Social Security Administration.

A special report from the National Clearing House on Aging, *Statistical Reports on Older Americans: Characteristics of the Black Elderly, 1980*, has national income information on the total older population as well as black older persons.

In the Current Population Reports, Series P-60, the U.S. Bureau of the Census issues an annual report of *Money Income and Poverty Status of Families and Persons in the U.S.* This report presents national and regional figures. State and national income numbers appear in the Current Population Report—*Money Income and Poverty Status in 1975* (Series P-60, No. 112). This is a report from the 1976 Survey of Income and Education.

The U.S. Bureau of Economic Analysis produces state and county numbers on the amount of transfer payments by the kind of payment. These data are available from the Bureau of Economic and Business Research at the University of Florida.

The U.S. Bureau of Labor Statistics annually issues a news release which presents low, medium, and high budgets for a retired couple in the U.S. and in certain specified cities. No Florida cities are covered; the closest city is Atlanta.

The U.S. Internal Revenue Service has issued a special report as a part of its Statistics of Income series called *Individual Retirement Arrangements, 1976*. This report presents national data on individual retirement arrangements with and without contributions, by type of arrangement, source of compensation, and size of adjusted gross income.

Phyllis Lee, Data Entry Operator, Computing Lab

The annual series in the Statistics of Income reports, *Individual Income Tax Returns*, presents state and national information on the number of returns, number of exemptions, and adjusted gross income of persons claiming exemptions for age 65 and over.

Employment

National numbers on employment and projected employment by age are available in *Employment and Training Report of the President*, published by the U.S. Departments of Labor and Health and Human Services. Additional national information is published in *Employment and Earnings*, a monthly magazine from the U.S. Bureau of Labor Statistics. The *Annual Statistical Supplement* to the *Social Security Bulletin*, published by the Social Security Administration, has national age-related data on the number of workers with taxable earnings and the median earnings of workers age 60 and over by sex.

The Income of the Population 55 and Over, 1976, also published by the Social Security Administration, provides good national information on labor force participation of older persons.

The Bureau of Research and Analysis, Division of Employment Security, in the Florida Department of Labor and Employ-

Kathy Butts, Secretary II

ment Security prepares employment estimates for Florida and its counties. This bureau does not regularly publish age-related employment figures, but the state office in Tallahassee or local labor market analysts (in local Employment Security offices) may have available unpublished estimates of employment and unemployment by age.

The same bureau also publishes a quarterly report, *Characteristics of the Insured Unemployed*, which does have state numbers by age.

Social insurance and welfare

Little additional information can be added to the discussion in the general article in this magazine about social insurance and welfare and to the discussion of the Health Care Financing Administration in this article section about vital statistics and health. The reader is referred to those discussions.

Two additional releases should be noted. *Research and Statistics Note* is published twelve or thirteen times a year by the Office of Research and Statistics of the U.S. Social Security Administration. The *Note* reports on ongoing research and summarizes preliminary findings. Some releases contain only U.S. data, others have state data. Recent titles have included: *SSI Recipients in Medical Facilities Covered by Title XIX (Medicaid), December 1979*; *Public Social Welfare Expenditures, Fiscal Year 1979*; and *Benefits and Beneficiaries under Public Employment Retirement Systems, Calendar Year 1978.*

The Social Security Administration also annually publishes *Supplemental Security Income: State and County Data*. The most recent edition is for December, 1979. This publication and *Research and Statistics Note* are available by writing to the Office of Research and Statistics, Social Security Administration, Room 1120, Universal North Building, 1875 Connecticut Avenue, N.W., Washington, D.C. 2009.

Transportation

Information on the use of or need for transportation facilities by older persons is not easy to obtain. Few means of transportation require any reporting which includes age.

An exception, of course, is the car. Information on driver's licenses by age comes from the Florida Department of Highway Safety and Motor Vehicles. The Division of Florida Highway Patrol in the same department makes available accident information by age in *Traffic Accident Facts*.

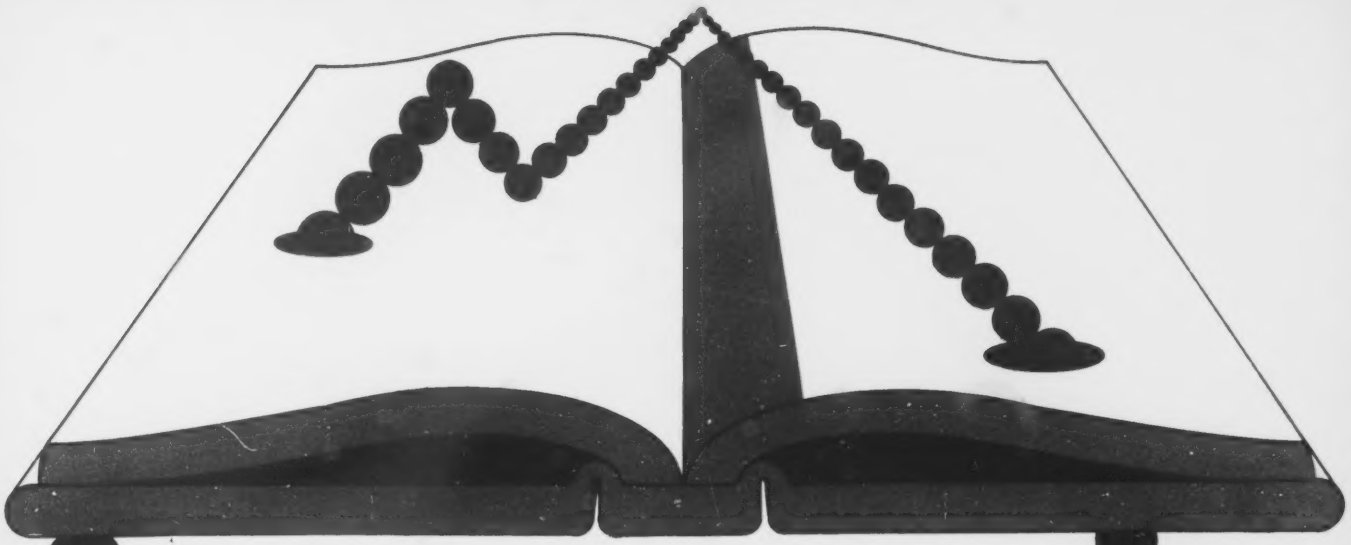
Some indication of the availability of public transit can be gained from local government expenditures as reported in *Local Government Financial Report*, published by the Florida Department of Banking and Finance.

Information on older people as tourists is published by the U.S. Bureau of the Census in the 1977 Census of Transportation and the annual summaries published by the Florida Division of Tourism.

The 1980 Census of Population, will include, as did the 1970 Census, information on the means of transportation to work for persons by various age groups, including older persons.

Energy

Energy information specifically concerning older people is not being generated in great quantities. An exception is *A Comparison of Energy Expenditures by Elderly and Nonelderly Households—1975 and 1985*. This publication contains national numbers and is available from the Energy Information Administration in the U.S. Department of Energy.



Library Services

J. Raymond Jones

Social Science Librarian
University of Florida Libraries

In the Summer, 1978, issue of *Dimensions*, the writer discussed the growing demand for demographic, socioeconomic, and planning information for local areas in Florida. Three years later the demand is even greater because of the phenomenal growth, both demographic and economic, in all parts of the state. An infrastructure of information resources was beginning to develop in 1978 to meet those needs. It has continued to grow in order to meet the more sophisticated and difficult problems of marketing, socioeconomic development, environmental problems, and resource allocations.

The purpose of this article is to discuss some of the information sources for local areas in Florida and to indicate how the reader may obtain access to them. Hopefully the 1978 article will be adequately updated. Both printed sources and those in machine-readable format will be considered. The training in statistical methods, computer methods, and economic analysis in colleges and universities has created groups needing access to the flexibility offered by machine-readable data.

A basic need for all users is to have access to adequate population statistics reflecting the demographic profile of small areas. The products from the 1980 Census of Population and Housing are being made available in print, microfiche, and in machine-readable format. Although slowed in their arrival by litigation and tightened federal budgets, the products will be a basic structure on which decisions will be made. Only recently have libraries in Florida received the following printed reports:

Final Population and Housing Units Counts: Florida.
PHC80-V-11, issued March 1981.

Population and Households by States and Counties: 1980.
PC80-S1-2, issued May 1981.

Although the machine-readable products for the 1980 Census are delayed, Summary Tape File 1 (STF1) for Florida is expected in December of 1981. STF1 will contain general population and housing statistics for block, block groups (BG), enumeration districts

(ED), tract, and higher levels of census geography. As of July, 1981, the Census Bureau has announced that four major printed series will be published only in microfiche: *Block Statistics, Census Tracts, Detailed Population Characteristics,* and *Metropolitan Housing Characteristics.* STF3 by five-digit zip code is also to be eliminated. Currently it is difficult to discuss the dissemination of 1980 census products with any certainty. All could be affected by the outcome of pending litigation and budget problems.

The University of Florida Libraries plan to purchase all 1980 Summary Tape Files produced for Florida and probably the tapes for every other state. The library Census Access Program has already purchased the only tape produced thus far: PL94-171 or "reapportionment" tape. Also CENSPAC, the software developed by the Census Bureau for 1980, is now in operation. The "reappportionment" tape can be used to retrieve total population for small areas in Florida. For block BG, ED, tract, etc., data can be accessed giving total counts, counts for five racial breakdowns, and the Spanish/Hispanic group. There are no figures for characteristics such as "age" or "marital status" yet available. Persons needing these data can contact the FSU Computer Center, University of South Florida Management Institute, and the University of Florida Libraries.

The University of Florida Libraries will provide data on a fee basis from 1980 Census tapes. The library also has purchased a complete set of the 1980 census maps. Xerox copies can be made on an "emergency" basis. Complete sets or individual maps may be requested from the Florida Department of Transportation, which holds a complete set in mylar. The University of Florida Libraries will also purchase a number of basic files related to graphical displays of census data such as the EBF/DIME files, EASYMAP, and CUE (Correction Update, and Edit).

Because 1970 and 1980 comparisons by census geography will be difficult, the Census Tract Relationship File for the 1970 and 1980 census will also be purchased. It is likely that the 1977 economic censuses in machine-readable format will be added to the collection after December, 1981. These censuses cover retail trade, wholesale trade, selected service industries, construction, manufacture, mineral industries, and transportation.

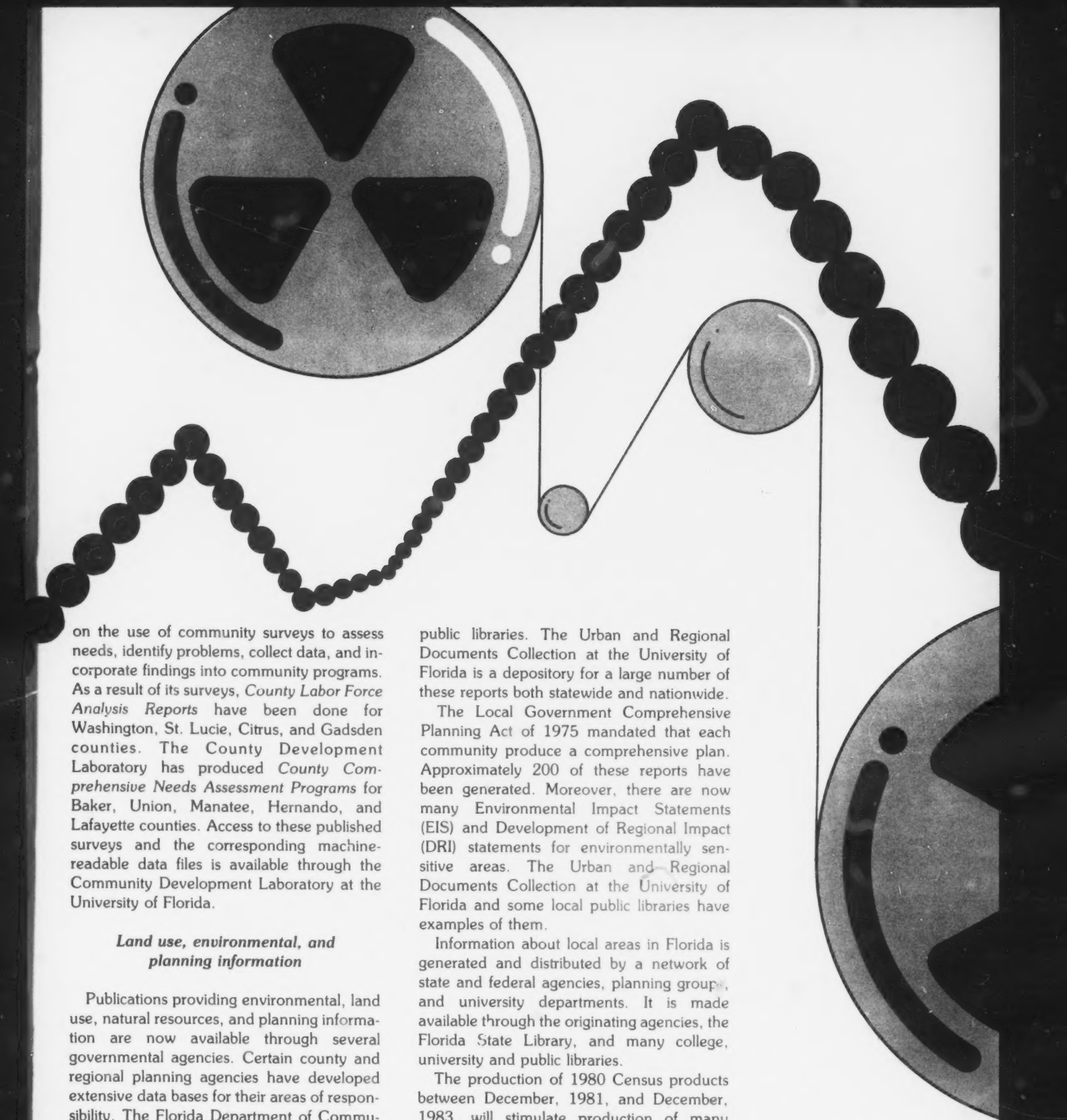
In all census activities, the University of Florida Libraries will endeavor to provide statistics on a fee basis from the 1970 and 1980 Census tapes. Again the library will also function as a clearinghouse for sources of local, regional, and state data.

Local information

Since 1978, the collection and publication of county and subcounty socioeconomic data have increased, enabling users to analyze market potential and sales and advertising proposals, and to study industrial needs. A basic source, the Census Bureau's *County Business Patterns,* is now available for Florida for 1978. In April, 1977, the Florida Division of Economic Development produced a *County Economic Data Package* for each Florida county. There were updates in this excellent series in 1979. A second series of updates will be available in September, 1981. The *County Economic Data Package* contains figures for personal income and its sources, unemployment figures, change in the employment structure by industry, wage and salary structure, labor forces, and other socioeconomic data. *County Comparisons,* published by the Division of Economic Development in 1980, brings together a wide variety of socioeconomic data and ranks each county relative to the others on each topic.

The division has also produced *Economic Development Profiles* for small communities and municipalities in Florida. Profiles for counties will be added. Altogether there will be 227 communities and the sixty-seven Florida counties covered. Those interested in acquiring copies should contact the Divison of Economic Development in Tallahassee. Some planning agencies are also publishing excellent statistical data. Examples of these are the East Central Florida Regional Planning Council's *Council Quarterly* and the Alachua County Department of Planning and Development's *Alachua County Information and Data Book.*

Another interesting development in county information has been the surveys and publications of the IFAS County Development Laboratory at the University of Florida. The Community Development Laboratory has as its primary objective to help Florida communities in conducting local surveys and accessing secondary data. It has concentrated



on the use of community surveys to assess needs, identify problems, collect data, and incorporate findings into community programs. As a result of its surveys, *County Labor Force Analysis Reports* have been done for Washington, St. Lucie, Citrus, and Gadsden counties. The County Development Laboratory has produced *County Comprehensive Needs Assessment Programs* for Baker, Union, Manatee, Hernando, and Lafayette counties. Access to these published surveys and the corresponding machine-readable data files is available through the Community Development Laboratory at the University of Florida.

Land use, environmental, and planning information

Publications providing environmental, land use, natural resources, and planning information are now available through several governmental agencies. Certain county and regional planning agencies have developed extensive data bases for their areas of responsibility. The Florida Department of Community Affairs is also a part of this information network. Planning reports involving many sensitive environmental issues are now being produced and may be available in certain public libraries. The Urban and Regional Documents Collection at the University of Florida is a depository for a large number of these reports both statewide and nationwide.

The Local Government Comprehensive Planning Act of 1975 mandated that each community produce a comprehensive plan. Approximately 200 of these reports have been generated. Moreover, there are now many Environmental Impact Statements (EIS) and Development of Regional Impact (DRI) statements for environmentally sensitive areas. The Urban and Regional Documents Collection at the University of Florida and some local public libraries have examples of them.

Information about local areas in Florida is generated and distributed by a network of state and federal agencies, planning groups, and university departments. It is made available through the originating agencies, the Florida State Library, and many college, university and public libraries.

The production of 1980 Census products between December, 1981, and December, 1983, will stimulate production of many significant statistical series. The University of Florida Libraries look forward to serving the needs of the state and its policymaking, research, and business groups.

Sources

Federal information offices in Washington, D.C.

Bureau of the Census
Department of Commerce
Washington, D.C. 20233
Phone: 301/568-1200

Bureau of Economic Analysis
Department of Commerce
Washington, D.C. 20230
Phone: 202/523-0777

Bureau of Labor Statistics
Department of Labor
Room S1032
200 Constitution Avenue N.W.
Washington, D.C. 20210
Phone: 202/523-8165

Social Security Administration
6401 Security Boulevard
Baltimore, MD 21235
Phone: 301/594-1234

National Center for Health Statistics
5600 Fishers Lane
Rockville, MD 20857
Phone: 301/443-7404

National Center for Education Statistics
Department of Education
Prince Georges Plaza
Hyattsville, MD 20785
Phone: 301/436-7888

Administration for Public Services
Office of Human Development Services
U.S. Department of Health
and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201
Phone: 202/245-7246

Regional offices of federal agencies

Bureau of Labor Statistics
Atlanta Regional Office
1371 Peachtree St. N.E.
Atlanta, Georgia 30309

Bureau of the Census
Atlanta Regional Office
1365 Peachtree St. N.E.
Atlanta, Georgia 30309

U.S. Department of Commerce
815 South Main Street
Jacksonville, Florida 32202
Phone 904/791-2796
and
Room 821
City National Bank Building
25 West Flagler St.
Miami, Florida 33130
Phone 305/350-5267
and
P.O. Drawer 3967
Tallahassee, Florida 32303

GPO bookstores

Government Printing Office
Washington, D.C. 20402
Phone 202/783-3238

Atlanta Bookstore
Room 100, Federal Building
275 Peachtree Street N.E.
Atlanta, Georgia 30303
Phone 404/221-6947

Jacksonville Bookstore
Room 158
499 West Bay Street
Jacksonville, Florida 32202
Phone 904/791-3801

U.S. information centers in Florida

(These centers were established to assist persons interested in information on various programs and services of the federal government and are maintained by the General Services Administration.)

Miami: Federal Building, 51 S.W. 1st Ave., 33130 Phone 305/350-4155
Fort Lauderdale: Phone 522-8531 for a toll-free tieline to Miami
West Palm Beach: Phone 833-7566 for a toll-free tieline to Miami
St. Petersburg: William C. Cramer Federal Building, 144 1st Avenue S., 33701 Phone: 813/893-3495
Jacksonville: Phone 354-4756 for a toll-free tieline to St. Petersburg
Orlando: Phone 422-1800 for a toll-free tieline to St. Petersburg
Tampa: Phone 229-7911 for a toll-free tieline to St. Petersburg

U.S. depository libraries in Florida

Boca Raton	Ms. Zita M. Cael Head, Collection Development University Library Florida Atlantic University Boca Raton, Florida 33431 Phone: 305-395-5100 ext. 2444
Clearwater	Mr. James H. Davis Documents Librarian Clearwater Public Library 100 N. Osceola Avenue Clearwater, Florida 33515 Phone: 813-443-4588
Coral Gables	Miss Mary P. Wise Head, Government Publications University of Miami Library P.O. Box 248214 Coral Gables, Florida 33124 Phone: 305-284-3155
Daytona Beach	Mr. James M. Wheeler Coordinator of Library Services Volusia County Public Libraries City Island Daytona Beach, Florida 32019 Phone: 904-252-8374
DeLand	Mr. Sims D. Kline Reference/Documents Librarian Government Documents Du Pont-Ball Library Stetson University DeLand, Florida 32720 Phone: 904-734-4121 ext. 220
Fort Lauderdale	Ms. Agnes E. Mason Broward County Library System P.O. Box 5463 Fort Lauderdale, Florida 33310 Phone: 305-765-5500
Fort Lauderdale	Special Services Librarian Nova University Law Library 3301 College Avenue Fort Lauderdale, Florida 33314 Phone: 305-587-6660
Fort Pierce	Ms. Genevieve McMillen Assistant Librarian Indian River Community College 3209 Virginia Avenue Fort Pierce, Florida 33450 Phone: 305-461-0372
Gainesville	Miss Sally Cravens, Chairman University of Florida Libraries Documents Department (REGIONAL) Library West Gainesville, Florida 32611 Phone: 904-392-0366 or 392-0367
Gainesville	Ms. Pamela Williams University of Florida Law Library Holland Law Center Gainesville, Florida 32611 Phone: 904-392-0418
Jacksonville	Ms. Jodi E. Smith, Documents Librarian Jacksonville Public Library 122 N. Ocean Street Jacksonville, Florida 32202 Phone: 904-633-5576

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Marty Sugden, Documents
Jacksonville University Library
University Boulevard North
Jacksonville, Florida 32211
Phone: 904-744-3950 ext. 266

Jacksonville
Mr. Bruce Latimer
UNF Library
Documents Department
P.O. Box 17605
Jacksonville, Florida 32216
Phone: 904-646-2617

Lakeland
Mrs. C.C. Sherwood (Corinne)
Lakeland Public Library
100 Lake Morton Drive
Lakeland, Florida 33801
Phone: 813-686-2168

Leesburg
Ms. Helen C. Sergeson, Librarian
Library
Lake-Sumter Community College
Leesburg, Florida 32748
Phone: 904-787-3747 ext. 41 or 33

Melbourne
Mrs. Hildegard Fickett
Government Documents Librarian
Florida Institute of Technology Library
P.O. Box 1150
Melbourne, Florida 32901
Phone: 305-723-3701 ext. 412

Miami
Ms. Margaret Elliston
Director of Libraries
Biscayne College
16400 N.W. 32nd Avenue
Miami, Florida 33054
Phone: 305-625-6000

Miami
Miss J. Hortensia Rodreguez
Documents Librarian
FIU Library
Documents Section
Tamiami Trail
Miami, Florida 33199
Phone: 305-552-2481

Miami
Mr. Arthur Cutlip
Federal Documents Librarian
Miami/Dade Public Library
1 Biscayne Blvd.
Miami, Florida 33132
Phone: 305-579-5001

North Miami
Ms. Terri U. Helmick
Documents Librarian
Florida International University Library
North Miami Campus
North Miami, Florida 33181
Phone: 305-940-5715

Orlando
Ms. Elizabeth Lloyd
University of Central Florida
Library-Documents
Box 25000
Orlando, Florida 32816
Phone: 305-275-2561

Palatka
Miss Vesta Lee Gordon
St. Johns River Community College Library
5001 St. Johns Ave.
Palatka, Florida 32077
Phone: 904-328-1571

Pensacola
Mrs. Guiliana Stecher
Head of Serials Department
John C. Pace Library
University of West Florida
Pensacola, Florida 32504
Phone: 904-476-9500 ext. 261

Port Charlotte
Ms. Mary Ellen Fuller, Librarian
Charlotte County Library System
801 N.W. Aaron Street
Port Charlotte, Florida 33952
Phone: 813-629-1715 or 625-6470

St. Petersburg
Ms. Lucille Bostdorff
Reference Department
St. Petersburg Public Library
3745 Ninth Ave. North
St. Petersburg, Florida 33713
Phone: 813-893-7724 ext. 33

St. Petersburg
Ms. Earlene Hurst
Documents Librarian
Stetson University College of Law
1401-61st Street South
St. Petersburg, Florida 33707
Phone: 813-345-1335

Sarasota	Ms. Trudy Clemence Documents Librarian Selby Public Library 1001 Blvd. of the Arts Sarasota, Florida 33577 Phone: 813-366-7303
Tampa	Ms. Clarice Ruder Government Publications Division Tampa Public Library 900 N. Ashley Street Tampa, Florida 33602 Phone: 813-223-8919
Tampa	Ms. Julia Schwartz Documents Department University of South Florida Library Tampa, Florida 33620 Phone: 813-974-2726
Tampa	Ms. Marlyn Cook Pethe Merl Kelce Library University of Tampa Tampa, Florida 33606 Phone: 813-253-8861 ext. 385 or 386
Tallahassee	Mrs. Mary S. Hall Documents Librarian Florida A. & M. University Library Box 78 Tallahassee, Florida 32307 Phone: 904-599-3714
Tallahassee	Miss Patty Paul Documents Librarian Florida State Library R.A. Gray Building Tallahassee, Florida 32301 Phone: 904-487-2651
Tallahassee	Ms. Judy Depew Documents-Maps Department Florida State University Library Tallahassee, Florida 32306 Phone: 904-644-3764
Tallahassee	Wallis Hoffsis Law Library Acquisitions Department Florida State University Tallahassee, Florida 32306 Phone: 904-644-1004
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Winter Park	Ms. Carolyn McFarland Head Reference Librarian Mills Memorial Library Rollins College Winter Park, Florida 32789 Phone: 305-646-2000 ext. 2376

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Tallahassee, FL 32304
Phone: 904/488-7911

Ad Valorem Tax Division
Department of Revenue
Fletcher Building
Tallahassee, FL 32304
Phone: 904/488-3338

Department of Agriculture and Consumer Services
The Capitol
Tallahassee, FL 32301
Phone: 904/488-3022

Department of Banking and Finance
The Capitol
Tallahassee, FL 32301
Phone: 904/488-0370

Division of Alcoholic Beverages and Tobacco
Department of Business Regulation
Johns Building
725 S. Bronough Street
Tallahassee, FL 32301
Phone: 904/488-7891

Florida League of Cities
201 W. Park Avenue
Post Office Box 1757
Tallahassee, FL 32302
Phone: 904/222-9684

State of Florida Department of Commerce
510 Collins Building
107 West Gaines Street
Tallahassee, FL 32301
Phone: 904/488-3104

Division of Community Colleges
Department of Education
Room 310, Collins Building
Tallahassee, FL 32301
Phone: 904/488-1721

Division of Drivers Licenses
Department of Highway Safety & Motor Vehicles
Neil Kirkman Building
Tallahassee, FL 32301
Phone: 904/488-3144

Bureau of Economic Analysis
Division of Economic Development
State of Florida Department of Commerce
1240 Blountstown Highway
Tallahassee, FL 32304
Phone: 904/487-2568

Division of Economic Development
State of Florida Department of Commerce
G-32, Collins Building
Tallahassee, FL 32301
Phone: 904/488-6300

State Department of Education
The Capitol
Tallahassee, FL 32301
Phone: 904/487-1785

Division of Elections
Department of State
The Capitol
Tallahassee, FL 32301
Phone: 904/488-7690

Department of Highway Safety and Motor Vehicles
Neil Kirkman Building
Tallahassee, FL 32301
Phone: 904/488-6438

Division of Hotels and Restaurants
Department of Business Regulation
Room 221, Johns Building
725 South Bronough Street
Tallahassee, FL 32301
Phone: 904/488-1133

Board of Independent Colleges and Universities
The Capitol
Tallahassee, FL 32301
Phone: 904/488-8695

State of Florida Department of Insurance
The Capitol
Tallahassee, FL 32301
Phone: 904/488-1234

Division of Library Services
Department of State
R.A. Gray Building
Tallahassee, FL 32301
Phone: 904/487-2651

Division of Employment & Training
Department of Labor & Employment Security
Office of Manpower Management Information Services
Atkins Bldg.
1320 Executive Center Drive
Tallahassee, FL 32301
Phone: 904/488-9585

Division of Marine Resources
Department of Natural Resources
Commonwealth Building
Tallahassee, FL 32303
Phone: 904/488-6058

Division of Motor Vehicles
Department of Highway Safety & Motor Vehicles
Neil Kirkman Building
Tallahassee, FL 32301
Phone: 904/488-6084

Department of Natural Resources
3900 Commonwealth Building
Tallahassee, FL 32303
Phone: 904/488-1555

Division of Pari-Mutuel Wagering
Department of Business Regulation
1350 N.W. 12th Avenue, Room 510
Miami, FL 33136
Phone: 305/325-3475

Division of State Planning
Office of the Governor
311 Carlton Building
Tallahassee, FL 32301
Phone: 904/488-7810

Division of Public Schools
Department of Education
Room 523, Knott Building
Tallahassee, FL 32301
Phone: 904/488-2601

Florida Public Service Commission
Fletcher Building
Tallahassee, FL 32301
Phone: 904/488-2986

Division of Recreation and Parks
Department of Natural Resources
Commonwealth Building
Tallahassee, FL 32304
Phone: 904/488-6131

Department of Revenue
Room 102, Carlton Building
Tallahassee, FL 32301
Phone: 904/488-5846

Social and Economic Services Program Office
Department of Health and Rehabilitative Services
1317 Winewood Boulevard
Tallahassee, FL 32301
Phone: 904/488-3271

Division of Tourism
Department of Commerce
505 Collins Building
Tallahassee, FL 32301
Phone: 904/488-5606

Department of Transportation
605 Suwannee Street
Tallahassee, FL 32301
Phone: 904/488-6721

State Treasurer
The Capitol
Tallahassee, FL 32301
Phone: 904/488-3440

Office of Vital Statistics
Department of Health and Rehabilitative Services
Post Office Box 210
Jacksonville, FL 32231
Phone: 904/354-3961

State Comptroller
The Capitol
Tallahassee, FL 32301
Phone: 904/488-0370

State of Florida depository libraries

Bay County Public Library
25 West Government Street
Panama City, FL 32401

Broward County Division of Libraries
Post Office Box 5463
Fort Lauderdale, FL 33310

Cocoa Public Library
430 Delannoy Avenue
Cocoa, FL 32922

Florida Atlantic University Library
Document Section
500 Northwest 20 Street
Boca Raton, FL 33431

Florida International University
Documents Section
Tamiami Trail
Miami, FL 33199

Florida State Library
Documents Section
R.A. Gray Building
Tallahassee, FL 32304

Florida State University Library
Documents-Maps Division
Tallahassee, FL 32306

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Miami Beach Public Library
2100 Collins Avenue
Miami Beach, FL 33139

Miami-Dade Community College
North Campus Library
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Miami, FL 33167

Miami-Dade Public Library
1 Biscayne Boulevard
Miami, FL 33132

Ocala Public Library
15 South Osceola Avenue
Ocala, FL 32670

Orlando Public Library
10 North Rosalind Street
Orlando, FL 32801

St. Petersburg Public Library
3745 Ninth Avenue, North
St. Petersburg, FL 33713

Stetson University
Dupont-Ball Library
DeLand, FL 32720

Swisher Library
Jacksonville University
Jacksonville, FL 32211

Tampa Public Library
900 North Ashley Street
Tampa, FL 33602

University of Central Florida Library
Post Office Box 25000
Orlando, FL 32816

University of Florida Library
Documents Department
Gainesville, FL 32611

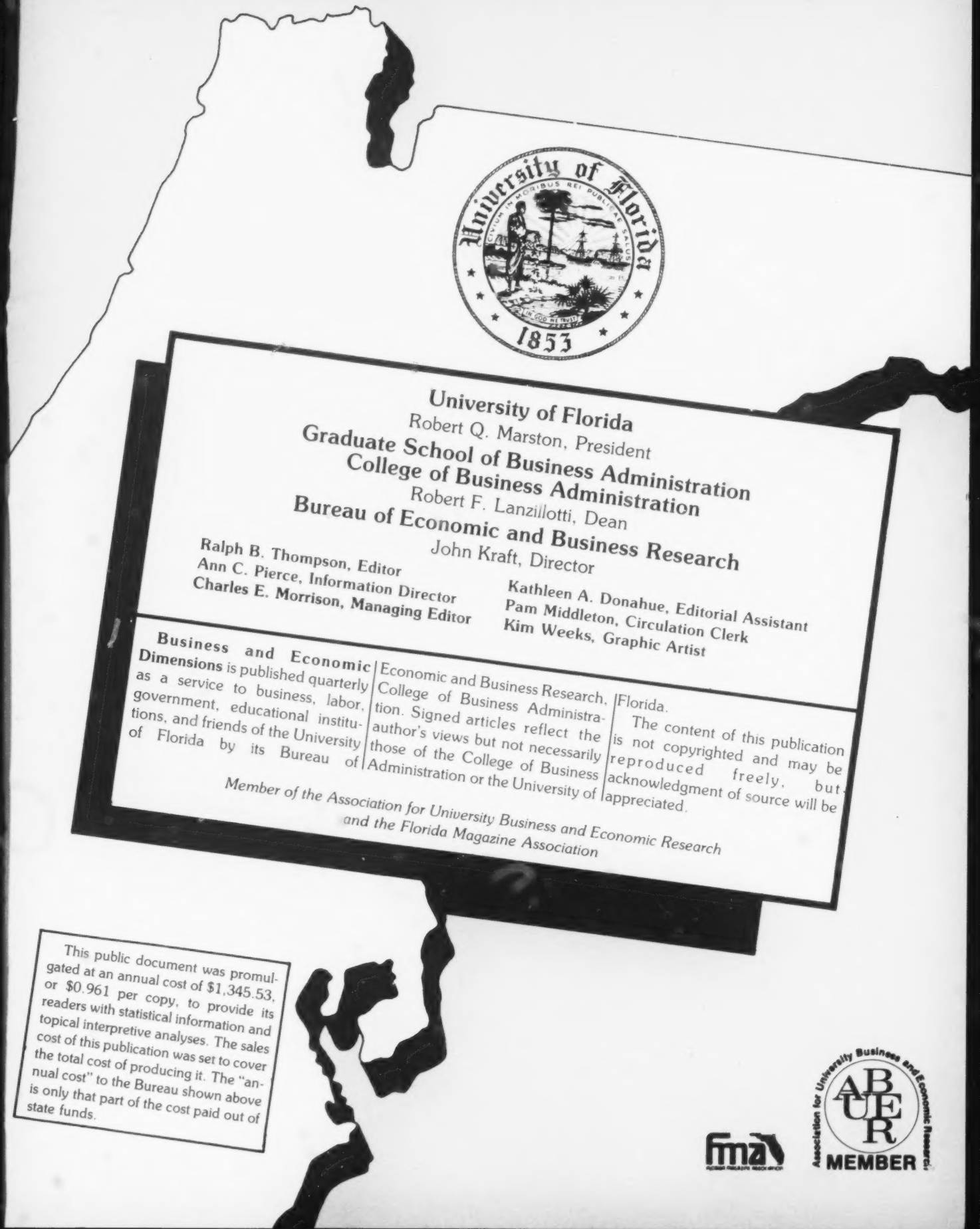
University of Miami Library
Government Publications
P.O. Box 248214
Coral Gables, FL 33124

University of North Florida Library
Documents Division
Post Office Box 17605
Pottsburgh Station
Jacksonville, FL 32216

University of South Florida Library
Special Collections
4204 Fowler Avenue
Tampa, FL 33620

University of West Florida
Documents
John Pace Library
Pensacola, FL 32504

West Palm Beach Public Library
Flagler Park
West Palm Beach, FL 33401



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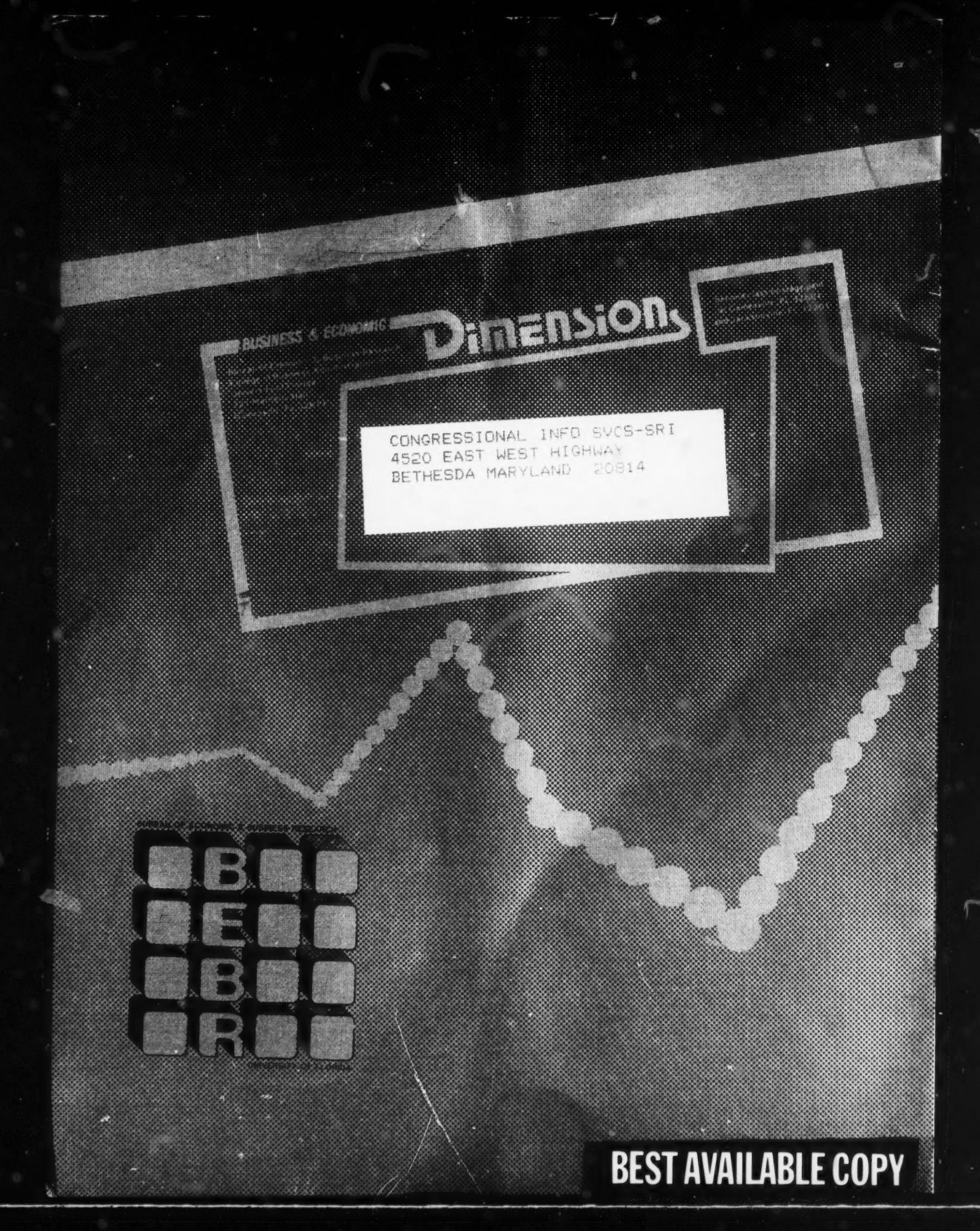

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